China's economic statecraft and its effects
the case of Mexico

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ABSTRACT

This research focuses on the effects of China's foreign policy through the use of economic statecraft to achieve political objectives. Economic statecraft is defined as a strategy or group of tactics used by the state with short or long-term impact that pursues political or policy objectives through the coercive use of economic means (trade) and financial instruments (loans) or both. This study focuses on the case of Mexico, a non-conventional target where China's influence has had different effects according to the variables of proximity, trade, economic interactions and depth of relations. Mexico out of geographic reasons, domestic complexities and its relationship with the United States has been having unsuccessful contact with China. Interactions between the two countries have been filled with controversies out of Mexico's economic restrictions, local particularities, its attitude towards receiving the Dalai Lama and a similar economic profile alike China's. The case study proves that the developing world has its own complexities that vary from one country to the other and that the depth of interactions with China and the agency of domestic actors determine the consequences, economic clout and influence of China on the target country.

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Introduction

China has turned into a major player within both global economy and world politics thanks to its accelerated growth coupled with effective policies after the Reform Era. The country, from being an isolated entity that had Utopian Maoist ideology as one of its major sources of influence during the Cold War in the 1950s, currently (2019) holds the second position as a world power with a GDP of 12 trillion, and has become the most important market in the globe thanks to its position as the world's most populated country with 1,384,688,986 inhabitants (CIA Fact Book, 2019). China's increasing importance as a world power and as a market has brought a major influence thanks to the economic gains it has obtained from its development strategy. Therefore, having a strong asset in the form of monetary sources and financial means has become a source of power and influence in an increasingly globalized and interconnected world.

Currently, banks and financial institutions can control or determine policy through economic instruments such as loans and holding shares of national debts. Despite some moves since the 1980s towards privatisation, the majority of China's financial assets are still owned by state-sponsored banks (known as policy-banks) with support given to national champions (normally state-owned companies) have turned the country into a major lender and an alternative funding source for other states. China has provided a new definition of power through financial and monetary tools that allowed it to create a new means of influence to pressure, co-opt, or coerce other states known as economic statecraft, explored in this research.

The first chapter focuses on China's position as a major power that has had additional and relevant implications that go beyond economic indicators. Expanding ideas and values in both economic and political terms, that are keen to the West has been inefficient and expensive in some cases such as Indonesia, as the schemes from the International Monetary Fund (hereafter referred as IMF) and imposing democracy for example, have exacerbated crises instead of solving them. The developing world, out of its own circumstances and limitations has had mixed results in terms of economic policies and political system, where they are subject to adopt the Western ideology in terms of turning into democracies and market economies as the major guideline if they are seeking to access the 'benefits' of Western-based institutions.

China from this perspective appears as an 'ideal' partner and ally, as it does not expect its partners to share its political system and its set of Chinese values. In the case of China's interests however, these must be considered and preserved, therefore it grants loans and infrastructure projects with apparently no political conditions attached. Evidence in this research obtained from semi-structured interviews and primary and secondary sources such as government reports, however, shows that China has been investing financial and monetary sources in the shape of loans and infrastructure mostly in the developing world in exchange of acquiring resources and additional partners in return of influence and support for issues that are of China's interest, such as the One-China Policy relating to Taiwan and human rights affairs in Tibet and Xinjiang.

The importance of this study relies on filling some gaps found in analysing the impact of economic statecraft on target countries, particularly for the case of developing countries which are assumed as uniform entities. Since the central concern of this research is an empirical problem between two countries that have a complicated bilateral relationship and one of them (Mexico) is surrounded by additional political, social and economic factors, the contribution is more practical than theoretical. The issues between Mexico and China constitute an empirical gap that has not been filled by the current literature of economic statecraft, China-Mexico relations and non-Latin American literature. The question addressed in this research is why Mexico's case is a reference for other countries with a similar profile where China is using economic statecraft. The research focuses on the implications of China's presence and the use of these economic instruments in medium-sized economies from the perspective of the targeted country (in this case, a developing country).

Seawright and Gerring (2008, p.294) explain that in the process of case selection there are different variables involved where the intentions of the researcher and the issue of representativeness are relevant. Case studies intend to portray the most significant features from a broader population, but at the same time a 100% representative case is hard to identify. Cases therefore are subject to variations on relevant dimensions, which in the case of Mexico as part of Latin America is not the exception. The authors propose a series of techniques for choosing a case study, from which the 'Deviant' technique is appropriate, as it is explanatory or confirmatory, intends to probe new explanations for the studied phenomenon, or to disconfirm a deterministic argument or confirm an existing explanation (Seawright and Gerring 2008, p.297).

The case study is part of a broader analysis within the population of cases and within the 'developing world' (broader population) Mexico shares a series of common variables (Latin America) with other countries like Brazil, but at the same time presents variations in other categories, such as economic profile. Mexico is considered as part of the 'developing world' but has distinct characteristics such as 'geographic location' (border with the U.S) and 'democratic system with alternation' that makes it distinct from Angola or Kazakhstan.

According to Hernàndez-Sampiri and Collado (2014, p.164) case studies are investigations that through the quantitative, qualitative or mixed approaches analyze in detail a holistic entity to answer a research question, a hypothesis or develop a theory. The authors explain that case studies can require different approaches and sources that range from preexisting knowledge to experimental designs to shape research and strengthen the argument. In view of this, this research includes an extensive analysis (strengthened by the interviews) of those variables that make Mexico distinct in the context of the developing world, Latin America and particularly in the concept held by China of what is a developing country.

Data gathered in this research through semi-structured interviews and government documents, highlights that China's effects are multidimensional and, that the country that accepts China's economic instruments is subject to additional pressures translated into further financial difficulties depending on the country's position with China. The current research seeks to contribute to the existing literature of economic statecraft by emphasising the importance of the domestic variables of the target country, such as the importance of local stakeholders like civil servants, government officials and businesspeople. This research includes primary and secondary sources, where government and media reports are used to complement the information obtained from semi-structured interviews. This thesis argues in the third chapter that Grounded Theory provides the best approach for analysing China's economic statecraft in Mexico, as the impact of China's actions on the receiving country are shaped by image, decisions and policy from the relevant stakeholders.

The interviews from eighteen Mexican interviewees that range from diplomats to business people and academics prove that image, distance and awareness of the Chinese state being involved in trade operations for its own objectives, constitute the major factors that undermine China's effective presence in Mexico. Grounded Theory as defined by Strauss and Corbin (1994), is a qualitative methodology where reality is built and explained depending on the views of the subjects involved, where theory develops through the systematic gathering of data and information. The output of perception as such however, is not a determinant source of data in terms of reflecting reality. Therefore, the relevance of government and media reports (that are mainly in Spanish) in this research relies on adding accuracy to compensate the 'human status' of the object of study.

The second chapter explains that China has been using economic statecraft, defined as a strategy or group of tactics used by the state with short or long-term impact that pursues political or policy objectives through the coercive use of economic means (trade) and financial instruments (loans) or both. The works of David Baldwin (1985), Deborah Bräutigam (2012), Blackwill and Harris (2015), James Reilly (2011; 2012; 2013), William Norris (2017), Mingjang Li (2017), and Evelyn Goh (2016)to mention a few are included in this chapter due to their major contributions to the study of economic statecraft mainly from theoretical perspectives.

Baldwin has provided the base of economic statecraft through the sanctions system by putting coercion as the ultimate objective of the sender. Blackwill and Harris (2015) broaden the concept of economic statecraft beyond the traditional concept of sanctions by including other mechanisms that can be used by states to coerce or co-op others, such as cyber-attacks. In terms of Chinese economic statecraft, Li, Reilly, Norris and Goh explore economic statecraft exerted and implemented by China from a general point of view by portraying China as a global power that seeks its own benefit through economic means for policy objectives. The second chapter also includes relevant terms related to economic statecraft and its definitions such as agency, stakeholders, power, and the concept of enhanced agency.

The fourth chapter explores China's strategic choice of developing countries, as it regards them as entities with similar characteristics: states that have been governed by the same people or person for long periods of time, rich in natural resources and that need funds to develop regardless of the real or hidden costs of these funds. The case of Mexico is relevant from its position as a developing country that has a distinctive domestic structure and political environment that are different to that of other states from the developing world. In the specific case of this research, Mexico has stringent laws that portrait a different concept of labour and environment standards, which hinders China's projects in the country.

The chapter also explores how China has also been using its own market as a means for leverage either through imposing compulsory joint-ventures for the benefit of its own companies or by tailoring regulations and proposals to China's advantage. The task of tracing activities and plans within state-owned companies and their relationship with policy banks represents a major challenge from both practical and legal perspectives as information has proven to be reserved. China's project proposals for infrastructure projects overseas however, present a common pattern where Chinese state-owned companies are the builders and policy banks the funding institutions.

In this regard, China has been considered a potential threat or subject to reservations from the receiving country due to this company-government relationship. Additional examples from the developed world included in this chapter illustrate that a major concern is the line between these companies as private, profit-driven entities and a foreign government is blurry. The major argument behind this concern, as argued in this chapter, is related to national security regarding a foreign government gaining access to sensitive information or sectors, such as intellectual property or endless access to natural resources. The justification behind these reservations and scepticism lies behind the role of perceptions from relevant stakeholders depending on their background and experiences with China.

The fifth chapter argues that the case of Mexico proves that despite of its status as a developing country, it is the second largest economy in the continent (the first one is Brazil) and it is the fifteenth largest economy in terms of nominal GDP (International Monetary Fund, 2018) and has a major regional role. Mexico as a democracy and an economy stands in stark contrast in comparison not only with other Latin American countries, but with other developing countries in general. China has invested resources in countries where governments exert control on economy and politics on the long term, where there is no alternation in positions of power and economic activities and trade are based on mostly natural resources.

The fifth chapter emphasises that Mexico is a developing country but instead of being a raw materials provider, it has an economic profile like that of China as it produces value-added manufactures and complex goods and has a major international presence in terms of trade networks. The similarity of economic profiles added to the existence of government control in Chinese state-owned companies through subsidies, is translated into clashes and reservations from business people. China's entry to the WTO in 2001 comprised the beginning of clashes between both countries, as China displaced Mexico as the second largest importer for the United States and Mexico turned into the first country to impose anti-dumping measures on Chinese products entering the country that remain to this day (2019).

The Mexican business sector remains the major obstacle for China in the country for more substantial investments and a free trade agreement due to the impact of Chinese goods in the manufacturing, cloth, shoe-making and artisanal industries (among others). Mexico as opposed to China has a powerful private sector that provides 80% of productive work in the country, where companies and businesses have no subsidies from the government. This research has found that the private sector acknowledges that the Mexican government must be aware of the potential threat coming from Chinese state-owned companies (hereafter referred to as SOEs) not only out of market and competition-related reasons, but also due to the involvement of the Chinese government in these and their use as policy carriers.

The sixth chapter analyses the role of the government through the Ministry of Foreign Affairs and other agencies as an additional and relevant stakeholder, as the official position is inclined towards further involvement with China. Added to the reservations of the business sector, government officials also have concerns around Mexico getting closer to China as their views prove that there is an increasing awareness of the Chinese government involvement in companies and using the latter and their state-owned banks as policy-carriers. The chapter shows that foreign policy principles have been taken seriously by the Mexican government in general and applied to China's reactions in specific events, such as the visits of the Dalai Lama where there were clashes and arguments with the Mexican government out of the gestures of President Calderón with the Tibetan leader.

The case of the Dalai Lama is addressed in the sixth chapter out of the arguments and concerns coming from all the interviewed government officials, two businesspeople and two academics regarding the importance of the Tibetan leader for the Mexican people. The issue around allowing or banning the entry to the Dalai Lama has become a recurrent topic that shows China's clout on countries that have accepted its economic and financial resources for the sake of development. The cases of Norway and South Africa for example, who have been targeted by China's retaliation through bans of salmon in the case of the former and an investment-withdraw warning in the case of the latter, prove that China is using economic statecraft whenever it feels its sovereignty or interests threatened. Government officials in Mexico argued that receiving the Dalai Lama is an internal affair and that due to the Tibetan leader's popularity in Mexico, the government would not risk an outrage from the Mexican people.

The seventh chapter explores Mexico as a democracy from a different angle, as the country has its own domestic complexities in the political realm which have been determinant inside the context of China-Mexico relations, as it depends on the party in power whether plans and objectives are fulfilled and most importantly, the role of these domestic particularities as obstacles for economic statecraft. Consequently, as shown in other countries where leaders have stayed for long periods of time such as Kazakhstan or Turkmenistan, China's assumption of being in good terms with the government implies being in good terms with the country does not apply to Mexico, as the government is renewed every six years. China-Mexico relations as the chapter argues, show a pattern of continuity from 1972 to 2000 because the same party stayed in office for 70 years (1930-2000) whilst from 2000 to 2012 bilateral relations suffered from a twist under the mandate of a different political party.

Mexico's political history has become complex after the PRI was withdrawn from the office, which for the Mexican people meant an apparent change whilst for China meant the beginning of its problems. The chapter argues that the right wing turn in 2000 that lasted until 2012 represented difficult years for the country due to the Drug War that started in 2006 and twelve years of difficulties for China because both President Vicente Fox and President Felipe Calderón regarded the country as non-relevant for Mexico. During these twelve years, China witnessed the effects of political alternation, a problem that it has not faced in other developing countries but that is present in most democracies. Additionally, a major obstacle for China that has both hampered its presence in the country and exacerbated further misconceptions is sharing the border with the United States.

Mexico's case is relevant due to its position as the neighbour of a world power with which China competes from different perspectives. The assumption of Mexico's interactions with China undergoing through necessary approval from the United States is simplistic, as it also ignores the agency of domestic actors in Mexico and the long history of bilateral agreements, disagreements cooperation and controversies, which range from border security to specific operations, such as the Merida Initiative. China's offer to become 'an option instead of the United States' after President Trump's use of Mexico as its main target for attacks, reveals that China still ignores the integration level between Mexico and its neighbour, a matter that was exposed by government officials interviewed in this research. Mexico-U.S. relations therefore, comprise an additional factor that hinders China's presence and the possibility of economic statecraft in the country.

The eighth chapter illustrates that domestic complexities are not reduced to Mexico's peculiar democracy. There are additional elements that are not present in other developing countries like Venezuela where China holds a considerable leverage over natural resources. The importance of additional variables, such as a powerful civil society, is pivotal because these elements are not present in other developing countries such as Angola or Mozambique where regimes control all domestic affairs. The cases of the high-speed train and Dragon Mart are explored in detail in the eighth chapter using data obtained from interviews and reports from government agencies. These two issues are considered as sensitive in the country due to the actors involved, as in the case of the high-speed train for example, the president was involved in the scandal whilst in the case of Dragon Mart, corruption moved through individuals and government agencies.

Illegal activities and corruption from both Chinese and Mexican actors did not go unnoticed by the media and the public who pressured government authorities to be held accountable. In countries where elites and politicians have a major control of laws and society such as in Myanmar, it is harder or in some cases impossible to have members of the public pressuring their government to be held accountable for a scandal. The importance of domestic legislation and law enforcement is also relevant as the case of Dragon Mart shows, the role of laws in

Mexico as stricter in terms of banking, environment, investment and labour standards, constitute an additional obstacle for China to bring its own workforce, its own materials, build in protected areas and even accept China's loans.

Mexico as shown in the literature addressing Mexico-China relations, is keen on China as an additional option for diversifying trade but it does not have the same conditions as Congo or Venezuela. Literature around China-developing world shows that China's approach towards developing countries presents a path of uniformity and similar characteristics with Mexico and other states. Whether China is successful in its projects, loans and interactions with the receiving countries depends on the actions and decisions of domestic stakeholders. Mexico has major domestic challenges in terms of safety and inequality like other developing countries, but in terms of economic and government profile, Mexico is a large economy (not a raw materials producer) that has a dynamic democracy.

This research concludes that although China has used its state-sponsored banks, SOEs and attempted to enter a developing country that is also a medium-sized economy through its government to government approach, domestic actors such as the government or the business sector and legislation play a determinant role in enhancing or hampering economic statecraft. In this regard, the case study of Mexico fills a gap inside the economic statecraft literature regarding a problem that is unique but not entirely unknown to other states with similar characteristics.

Analysing the impact of China from the point of view of the target country represents a breakthrough within a literature that focuses on the impact of China's behaviour and assertiveness from generalisations around the developing world and theoretical perspectives. Mexico's case on empirical grounds proves that China approaches developing countries using a discourse and strategy that does not consider the particularities of the country which, depending on how China is received and regarded, is bound to fail.

Chapter 1

Economic growth: The foundation for China's rise

Economic growth is the key concept in the context of economic statecraft as the major source of China using its financial benefits in other relevant areas to fulfill policy objectives. Gross Domestic Product in nominal and real terms serve as the reference points for this, nevertheless there are other indicators such as the GINI index that reflect on the effects on other areas, such as inequality. In the case of China, as explored in this chapter, growth has provided a strong source of power to bargain and a base for legitimacy on political grounds. The importance of how sustainable economic growth is on the long term is relevant mainly for two reasons. First, because it has a pivotal role in giving legitimacy to the presence and leadership of the Communist Party, and second because possessing economic and financial assets is a source of power on the international realm and therefore, has the potential of being used as a policy instrument.

This chapter explores the importance of China as a global economic power that presents an increase in its assertive behavior proportional to its economic capabilities. Arguments and indicators explored below serve as a point of reference to show why economic growth is essential in understanding China's assertive behaviour in foreign policy and its preference for economic statecraft. Economic power in this context is defined as a group of financial and monetary instruments that allow production of wealth and growth, which serve as one of the most important sources of power and influence in international relations therefore, it is important to understand where it came from, why it is relevant, its foundations, limitations and consequences. The importance of mentioning the consequences, either positive or negative and the faults Chinese economic growth strategy has or could have, is relevant for addressing the question of long-term sustainability, moreover how this is related to policy and China's use of economic statecraft.

The chapter also explores additional elements such as the importance of Deng's Reform Era and globalization as major driving forces for economic expansion that ultimately turned economic growth into a source of financial instruments to exert power and manage the sensitive issues mentioned in this chapter outside of China. The importance of policy and how China's leaders have contributed to its design and implemented their own contributions in terms of ideology and principles, is mentioned briefly in this chapter out of its importance in comparative terms, as Deng Xiaoping (1978-1989), Jiang Zemin (1989-2002), Hu Jintao (2002-2012) and Xi Jinping (2012-) have distinct personalities that are reflected in foreign policy. Xi Jinping has presented a rather assertive and pro-active personality compared to his predecessor Hu, as the latter kept China in a rather low profile before the 2008 Olympics whilst the former has focused on building capabilities for enhancing China's role as a world power.

The effects of China's growth have been felt throughout the globe not only in terms of indicators, but also in the impact of Chinese financial instruments in the receiving countries. Foreign direct investment is an instrument that has served a double-edged sword, as in some cases it has helped to improve the quality of life in the receiving country and created opportunities for growth and development. In others however, investment has served as the means for political elites to strengthen their presence or justify their legitimacy and perpetuate themselves in power at the expense of the locals. Investment should create opportunities at the domestic level for growth and development, but in the case of China's investment the only favored party is China.

China's leaders have stated that the rise of their country is peaceful, and that they have not been involved in armed combat after the Korean and Vietnam wars. This research argues that from 2012 onwards, China has been using economic resources rather than military means as the major source of power and influence. The size of China's overseas investment and construction project accounts for 1.9 trillion USD (American Enterprise Institute, 2018) and it is likely to grow in the forthcoming years with long-term projects such as the Belt and Road Initiative. In an increasingly globalized world where holding financial assets turn states, business and companies into important and influential actors, economic means have turned into the new source of power and leverage.

Bradsher, Lai and Watkins (2018) mention that China is consolidating its vision of a vast network of trade, investment and infrastructure that will reshape financial and political ties which will bring the world closer to Beijing. Nevertheless, compared to the strategy used by the United States with the Marshall Plan in the 1940s that sought to recover Europe from the war, China's strategy is bolder and riskier due to the implementation of a distinct, China-based set of rules that make money more expensive for the borrower as argued further in the fourth chapter. States that have turned to China as a major source of financing and infrastructure projects are caught in a 'debt-trap diplomacy' that entails the cession of their natural resources, turning the receiving country into a hub and export platform for goods destined to China and other markets and, on the way endorse China's agenda on sensitive issues such as Taiwan, Tibet and human rights in general. Further chapters of this research, through the specific case of Mexico a developing country, prove that China's investment instead of promoting growth and development for the receiving country, it only serves to fulfill China's needs and policy objectives.

Success of China since 1978: Production of strategic raw growth and the importance of internal stability

Data before the decade of the 1990s shows a China with a slow growth rate caused by the effects of Mao's era where attempts for aggressive economic growth ended up in stagnation and a high cost for the Chinese people after the Great Leap Forward and the Cultural Revolution. Deng Xiaoping, as shown by data post-1990s propelled the country to the high growth rate levels seen during the 2000s (World Bank, 2018). It is thanks to this propulsion that as Huang (2008, p.20), Minzer (2015, p.129), Shambaugh (2013, p.52), Zanardi (2004, p.25) and Fewsmith, (2007, p.5) mention, the years before and after 1989 can be regarded as two very different eras, as the idea of what is important on the economic and social levels changed dramatically. Fewsmith explains that after the 1990s people started to understand the correlation between money and power, reflected on the deterioration of social stability thanks to the creation of gaps between rich and poor and the impacts of reforms. The demise of the Soviet Union and the collapse of communism represented a watershed for China in terms of renewing and redesigning their governing strategy and economic policy, in which economic policy and its positive outcomes would now serve as the means to keep the One-Party system and its survival.

In contrast, Minzer highlights that standards of living were improved, market incentives were created, rural-urban gap narrowed, credit was expanded to the countryside and town-village enterprises were created. Despite having an increasing open economy and a series of plans to encourage trade and the creation of companies and businesses, the crack-down of the student protest of Tiananmen Square in 1989 changed, halted or modified these plans. Since China was subject to strong criticism from the international community regarding the use of force as the means to deal with the protests, the government realized that domestic stability as a pivotal internal affair was non-negotiable. Huang explains that a systematic crackdown towards the private sector was launched, consequently many firms were closed, and credit was tightened. The events of Tiananmen and the demise of the Soviet Union from the 1990s brought the relevance of domestic stability and gradual opening into the equation of long-term economic growth.

A concern within global academic and policy circles is whether the changing nature of the Communist Party is sustainable on the long term or if it has any limit of the amount of matters that can be controlled. Policy priorities are multidimensional and do not remain static, as domestic and external factors determine the importance of challenges to be addressed. In the case of China however, maintaining stability in the domestic level has been a top priority throughout the years before the reform era. Dickson (2003, p.2) explains that continuity has become the base underlying stability, as the priority given to political stability is one of the strongest and most enduring features of Chinese political culture that seems to be shared by both leaders and members of society.

The importance of internal stability for China is underestimated by other states from the perspective of acting or accepting postures which, from the point of view of their governments are innocuous, but for China are relevant. Actions that are harmless in appearance such as receiving or inviting the Dalai Lama, having diplomatic relations with Taiwan or taking a posture in territorial disputes that is opposite to China's interests, turns into an argument for China to exercise economic statecraft, as these matters are part of 'China's sovereignty' or 'internal affairs'.

The case of how human rights are interpreted in China serves as the best example of how the government perceives an issue and how other states regard it, moreover because some western states within the United Nations Human Rights Council have attempted to hold China accountable for human rights abuses in its territory and the latter considers these critiques as 'meddling in internal affairs'. Economic statecraft, therefore, is an additional means to address countries or individuals who take an unfavorable position in issues that China considers as 'part of its sovereignty' or 'internal affairs', such as the issue of Taiwan as an independent country, Tibet and Xinjiang being a source of social instability, or any other matter that could jeopardize its internal stability.

China has a three-fold strategy that is adapted according to the country where investment or the economic instruments will be located (Gong 2017, p.2). This strategy presents a geostrategic design, as China's neighbourhood is presented as the priority and then the rest of the world, from which it gets the necessary means to continue its development and expand its influence on the way. The first is cultivation of economic ties that aim to maintain stability and peace around its periphery to focus on its economic growth shows that China does not seek any confrontation that could jeopardize this. Second, and in accordance to geostrategic interests, eroding Taiwan's international standings is a priority therefore the acceptance of the One China Policy is a component that determines China's economic relations with other countries. Lastly, the image that China portrays to the world is also important for expanding its economic and diplomatic influence, therefore presenting itself as a benign power has an important geostrategic dimension. The non-threatening image portrayed to its neighbours aims to reduce the US strategic encirclement in the region and helps to reduce anxieties from the rest of the world.

The purpose of the current chapter as part of the relevant context that pushed China to use economic statecraft requires mentioning briefly the argument behind the sensitivity of Taiwan, Tibet and Xinjiang. Taiwan turned into a contentious issue since Chiang Kai-shek founded the Republic of China through the Kuomintang in 1949 after the civil war in mainland China. Mao Zedong founded the People's Republic of China (PRC) in 1949 but the status of Taiwan remained as part of mainland China according to Mao but then thanks to the ideological pressures brought by the Cold War where the PRC was considered an ideological enemy as a communist state, Taiwan held its status as an independent country. It was until the visit of President Nixon to the PRC in 1972 that Taiwan started to lose its character as an independent country through the reduction of diplomatic recognition from other countries, as the PRC has conditioned diplomatic relations in return of not recognizing Taiwan. In the view of the PRC, Taiwan is part of China's territory and therefore considered an issue of sovereignty.

The issues of Tibet and Xinjiang as part of China's internal affairs represent an additional priority, particularly since the 2008 uprising in Lhasa, the popularity of the Dalai Lama, and the terrorist attacks of 2013, 2014 and 2017 perpetrated by members of the Uyghur minority. In the case of Tibet, evidence shows that the major sources of pressure rely on the deprived status of Tibetans opposed to the Han Chinese, where the former claim that the region was 'occupied' in 1950 after military intervention from the People's Army. After Tibet became part of the People's Republic of China, Tibetans have been outnumbered by Han and the region has seen an accelerated development that has resulted in a cultural, economic and linguistic control over the Tibetan minority (Tibet Office, 2019). The Dalai Lama fled to India in 1959 and established a parallel Tibetan Government in exile in Dharamsala with the Tibetan diaspora. China's major concern relies on the popularity of the Dalai Lama and Tibet support networks overseas, as these have had a domino effect where China is targeted for human rights abuses in international forums and non-governmental organizations.

The case of Xinjiang shares similar characteristics and concerns alike the Tibetan case, as the Uighur minority has also been subject to cultural, economic, linguistic and religious control from the central government. Evidence shows that these measures have tightened in the area after the terrorist attacks through a car bomb in Tiananmen Square in 2013, Urumqi market square attack in 2014 and knife attacks in Pishan in 2017 (South China Morning Post, 2017). In May 2014 the government launched its "Strike Hard Campaign against Violent Terrorism" that has led to detentions and re-education camps, where in the case of the latter there is an estimate of one million undergoes political indoctrination for long periods of time (Human Rights Watch, 2019). The case of Turkey raising the issue of Uyghurs as a matter of protecting the Ummah (Islamic community) has influenced the measures taken by China within its immediate neighbourhood, as investment from the Belt and Road Initiative has been targeted to Kazakhstan, Kyrgyzstan, Pakistan and Tajikistan which all have a Muslim majority.

China is a signatory of international conventions regarding human rights, but like in any other country, implementation and adjustment to local legislation is a different matter therefore China has interpreted human rights in its own terms. The example of how the Western discourse of human rights is non-compatible with the concept held in China confirms how an international regime can affect the domestic ground and generate pressure on the government. Moreover, how the domestic perception of human rights raises concerns on the international level. Sceats and Breslin (2012, p.1) explain that although China has adopted and involved into the international human rights framework, the leadership is strict with its conviction regarding non-intervention. China's concern regarding the domestic security context has made the country to be more assertive and confident on its approach to the international human rights agenda.

Evidence around China's reactions towards the visits of the Dalai Lama or support for the Uighur minority, shows concerns related to how China is using its economic power to bear in other areas of international system, as it regards human rights as an issue 'to be managed' in the context of global power politics. Therefore, regime preservation, social stability and territorial integrity are the core interests and priorities. The country's strong discourse of sovereignty and non-intervention makes human rights to be understood as goals that must be attained on the path to development rather than binding legal obligations (Sceats and Breslin 2012, p.3). Economy (2018, p.14) explains that China appears to uphold traditional norms in some cases, while in others it seeks to modify or break with established precedents to realize its own advantage.

Socioeconomic and survival rights therefore are given priority over individual and civil-political rights, so public order and stability according to China, are preconditions for the enjoyment of rights and no individual's rights should be over the state (Sceats and Breslin 2012, p.9). Internal stability, therefore, represents a major concern for the Chinese state to continue its economic growth and as such, states that have diplomatic interaction with China or who are receptors of its economic and financial instruments, are expected to regard these sensitive issues as part of China's internal affairs. Globalization and China's participation in international fora and multilateral organizations, however, has posed challenges and limits to the control it can exert on its immediate context.

China's assertiveness

The previous sections stated that two major areas of priority are internal satiability and sustained growth. In the case of the former, China has been adopting an 'assertive' behavior through its actions and impacts throughout its process of building capabilities, where the first actors to ponder the effects are its neighbors such as Japan and Korea. An assertive China from distant places of the globe however, has a different effect as the impact of the actions from a world power depends on proximity and depth of bilateral relations. In the case of Mexico therefore, the heavily ideological China of 1972 welcomed by President Echeverria is entirely different from the 'prepared to gain its place' China of 2012 with President Peña Nieto.

Ian Johnston (2013, p. 9) explains that there is no accurate definition for assertiveness inside literature of international relations and through this work, the author gives the concept a practical nature through exploring concrete cases such as the Dalai Lama and Taiwan where China has acted defensively. Nien-chung (2018, p. 880) proposes an accurate approach towards assertiveness as a foreign policy orientation where a state changes a category of behaviour to an opposite one, where there is a redistribution of power and interests in the state's domestic politics. China during Mao had a different approach towards foreign policy and international involvement as opposed to China with Hu Jintao ('Peaceful Rise')or Xi Jinping (China 2025).

The major gap in Johnston's and Björn Andern's (2014, p.85) approach towards China's assertiveness is the tendency to generalise from cases that are known to the immediate contexts of the authors (Europe or the United States), as Andern explores assertiveness through confrontations and exchange with the United States, where antagonism and competition are evident and natural due to the latter and China being major powers. The discussion provided by Andern regarding the role of the United States and its foreign policy decisions (some of them accurate), polarise the debate in favour of China and the narrative of the latter versus the West instead of China's impact on western countries, as the United States by its own does not represent the whole western hemisphere.

Labelling the United States as the major representative of the Western hemisphere is problematic, as in the case study of this research Mexico is part of the west out of common features (discussed in later chapters) with other countries of the hemisphere. In the specific case of this research, reactions from the United States towards China's rise have not gone unnoticed by its neighbour. Cornejo (2018, p.113) accurately explains that tendencies that view China as a threat consider that its economic growth is based on an alternative 'communist model' which constitutes a superficial analysis, as for the author China has never been entirely communist.

Views from the United States have contributed to strengthen China's model as a threat due to the contrast with the liberal-democracy model therefore labelling other models that differ as a threat is not unknown to Mexico out of historical reasons.

The economic crisis of 2008 undoubtedly worked in China's favour, as Andern (2014, p.87) argues, to build its economic capabilities further and explore its options in its immediate neighbourhood where the United States has strong presence. Liu (2020, p. 20) explains that since China and the United States are antagonistic powers, one can regard the other as a threat, therefore this strong U.S. presence in Asia is determinant for shaping views in China's leadership. Johnston (2003, p. 56) emphasises the importance of the security dilemma in China's neighbourhood taking the case of Taiwan as a reference. The issue of Taiwan (for example: Norris 2016, Nien-chung, 2016) and confrontations with Japan (Johnston, 2013) tend to be considered by the literature as major indicators for China's assertiveness, leaving other less known cases such as the security dilemma caused by the high altitude defence missile systems (THAAD) built in South Korea, on secondary grounds.

Liu (2020, p. 21) for instance, accurately states that during the period of 2012 to 2016 China presented a strong tendency to exaggerate its capability to achieve its objectives by promoting Sino-centric activities and coerce its neighbours, where it projected a high degree of confidence. China's actions during this period such as its reactions towards the South China Sea dispute for example, deteriorated relations with key neighbours such as Japan and South Korea. The impact of these actions did not go unnoticed in the distance, as in Latin America China also invested time and efforts through state visits and agreements to strengthen its presence. China's actions through economic means (loans, infrastructure projects and treaties) in Latin American countries however, as discussed in later chapters on this research were regarded as a core-periphery strategy rather than as a relation of equals (Bernal 2016, p. 32).

The fact of China exercising an impact on the distance implied the increase of resources to invest on foreign policy. The allocation of resources on external behaviour, according to Nien-Chung (2018, p.882), is an indicator of assertiveness. The author explains that an assertive state would invest more resources into achieving its different foreign policy goals, therefore the more assertive a state is, the more resources it will allocate to foreign policy and the capacity it will develop to achieve its policy aim. In the forthcoming chapters, this research shows through investment indicators and other variables that China has poured resources substantially into other countries since 2012 during Xi Jinping's term, as investment from 2005 to 2012 accounts for 678.83 billion USD, and from 2012 to 2019 accounted for 1355.39 billion USD, more than the double (American Enterprise Institute, 2019).

Intention behind these resources apart from expanding opportunities for China to achieve its objective of sustained economic growth and development is also targeted towards influence and to be acknowledged and regarded as a major power. The Chinese view on assertiveness has also generated debate amongst scholars, for example Chen and Pu (2013, p.177) offer three perspectives from the type of assertiveness depending on the behaviour of the state. Offensive assertiveness stands for a state that expands its interests; defensive assertiveness as the adjective indicates stands for defence of interests and lastly, constructive assertiveness refers to the state's initiative to solve global problems.

China as argued later in this research and opposed to these authors' view around China's assertiveness as non-offensive has shown the three of them in different contexts, for example: China's use of economic instruments such as infrastructure projects or loans in return of breaking diplomatic relations with Taiwan or rejecting the Dalai Lama is an expansion of its interests (offensive assertiveness). China has had strong military reactions towards Japan, Philippines and Vietnam due to the South China Sea territorial dispute (defensive assertiveness). China has participated in initiatives such as environment and global warming conferences (COP Summits) that are aimed towards solving common concerns (constructive assertiveness). The rationale behind these examples of the typology proposed by Chen and Pu (2013) is determined by the cause and effect of China's actions rather than the latter's intentions.

A major practical issue surrounding this typology however is an action considered defensive could be interpreted as offensive and vice-versa. Chen and Pu (2013, p.177) consider that China has only shown a defensive assertiveness behaviour as it has defended claims without substantially changing fundamental policies therefore its reactions towards unwelcome and unforeseen events in the region are natural. Reality however proves otherwise, for example: The presence of the United States in China's neighbourhood provides an illustration of the interpretations around the offensive-defensive assertiveness, as for the United States having presence in Asia is part of its interests but this presence for China constitutes an unwelcome matter.

The case of the Dalai Lama constitutes and additional example, as for states welcoming the Tibetan leader is part of their sovereignty to accept or reject visits into the country, but for China voicing concerns or taking action is interpreted as reacting towards unforeseen events whilst the country receiving the Dalai Lama could regard these impositions as an expansion of China's interests (this is the case of Mexico with the Dalai Lama). Lastly, China's aid towards developing countries can be considered as 'constructive assertiveness', but as seen in the forthcoming chapters and as stated by Nien-chung (2018, p. 884) and Yan (2014, p.182), aid is an instrument with political intentions behind and designed for strategic relations rather than economic benefits.

Yan Xuetong (2014, p.166) argues that China with Xi Jinping has moved from keeping a low profile to striving for achievement, where the latter emphasises the importance of regional peace and stability and, foreign policy as an instrument that would serve the need for national rejuvenation, not only economic development. In terms of what China portrayed through the principle of 'Peaceful Coexistence' as opposed to the 'Made in China 2025', there is an increase in assertiveness however Yan (2014,p.167) argues that it must be used for keeping friends close and having a peaceful economic and political environment. Peace is an essential component to achieve economic development as order and stability are necessary for trade and economic exchange activities.

In view of the importance of keeping allies and friends together, Liu (2020,p.27) mentions that China's assertiveness has limits as if relations deteriorate with Japan or South Korea (two of China's major economic partners in Asia with around 5% each), then instead of countries following China's lines and interests, they will be pushed closer to the United States. Yan (2014, p.182) acknowledges that China has presented a major foreign policy shift after Xi Jinping took office and considers that the role of a power also brings additional challenges, as in the author's view, assertiveness should also be targeted towards creating a 'humane authority' that will be determined by the pressures of the system and how China reacts to them. The definition of China's assertiveness therefore is determined by the context and analyses around China's actions and behaviour rather than by a definition of the term.

China's Rise: International economic power

Since stability implies long-term objectives and continuity regardless of who is the head of state, government control and state-guided development in China show that there is a correlation among politics, social movements and the impacts on relevant economic sectors, namely: heavy industry, natural resource extraction and technology. China's new role as the 'the manufacturing capital of the world', as mentioned by Zanardi (2004, p.25) represents the beginning of a new era for China during the 1990s and the consequences this would entail, as the country encountered new challenges. These new challenges came in the shape of measures that were new to China as a newcomer but turned out prejudicial, such as antidumping, presented difficulties to economic expansion. China, therefore, encountered new regulations and problems in terms of market economy interaction, as not everything is reduced to trade only.

During China's years as a newcomer to the WTO, added to the obstacles imposed by countries out of domestic concerns that portrayed China as a threat to national industries, China had to face the challenge of Western-based standardized business and banking practices. Trade and business practices are subject to variations out of cultural differences, but in the case of market laws and banking rules, protocols for operations were created and managed by Western countries. China had to undergo a process of understanding these systems, as Wen Lin (2005, p.64) shows, trade combines business practices that are determined by domestic variables such as culture which in China's context plays a major role in economic activity. Nevertheless, the country adopted pragmatism out of the prioritization of economic growth and development as long-term objectives and core policies.

The modification of legal codes and laws in general, as shown in the case presented in this research, is complicated and a work-intensive task. Countries who wish to be involved in any kind of treaties sometimes are subject to adopt or eliminate measures as part of the acceptance of a treaty or as part of a negotiation. Since China is under the process of decentralization and making institutions more efficient, the country still faces a bad reputation under the arguments of low quality and low price at the expense of human lives and irresponsible production means amongst some of its partners in the EU and Mexico itself. China has had clashes with other states in terms of regulations referring to worker's rights and regulations for environment protection, as standards for these can vary depending on the country. Evidence from African countries for example, such as Nigeria, Kenya, Mozambique and Ethiopia show that working shifts tend to be longer than the eight hour shift, Chinese workers have better housing conditions than those for local workers (Araujo and Cardenal, p.220) and payment for local workers is low (CNN, 2018).

Transactions and operations carried out by China's state-owned companies have brought a wave of positive and negative results to the receiving countries where in most cases, the latter have been prevalent. Therefore, economic statecraft is not reduced to the state exerting pressure on the other country, also the collateral effects of the presence of the sender in the receiving country and the impact this presence has on local stakeholders, such as policy makers or the business circle. Issues of Chinese governance, as Economy (2018, p.14) explains, constitute the front and the center of its foreign policy as China exports not only its labor and environmental practices through investment but also its political values through an increased media presence, associations and Confucius Institutes (cultural centers, analyzed in the next chapter).

A major problem with China from the perspective of the receiving country as explained in the fourth chapter, is that it assumes developing countries as uniform entities that are eager to accept its standards in return of investment. These challenges regarding perception of standards and human rights, are not exclusive to China, as many developing countries such as India and Mexico are judged under the same grounds of cheap labor and questionable working conditions. The main issue between China and Mexico for example, is that both are manufacturing economies and thanks to China's integration to the global trade system, both countries have become relentless rivals not only in the context of the U.S. market but also in the context of trade within Latin America. This issue, added to the disadvantage of Mexico in relation to government subsidies, is constantly raised by both countries mainly in WTO forums discussed further in this research.

China's entry to the WTO in 2001 has allowed it to expand its economic activities and use them to both expand its influence and increase its economic and financial resources. It is also thanks to trade networks that China has been able to construct complex chains of production and move forward on producing value-added products but has also developed a pattern of dependency from some of its trade partners. Trade relations between China and its partners in Latin America (and Mexico) are characterized by asymmetry where China enjoys the advantage as the major exporter of goods. Whereas continuous economic growth is sustainable on the long term or not, the less favored parties are put into a disadvantage, and China uses this disadvantage to its advantage to uphold its legitimacy on the external environment.

China has also served as a watershed between the world order that is assumed 'to work' supported by the United States and institutions such as the International Monetary Fund and the increasing importance of developing countries in the global economic order. In view of the sharp economic crises in both the developed and developing countries, the efficiency of this 'macroeconomic surveillance' is contested by China, as the increasing contentiousness of international surveillance has become problematic for its broad strategy of membership in and in conformity with major global institutions (Foot and Walter 2010, p.82).

Chan (2017, p.246) explains that since the 1980s, China has increased its participation within the activities of the global financial structure, even though the size and efficacy of China's involvement has been limited for both domestic and external reasons. In the case of the former, Chan explains that China's own capabilities and policy preferences account for some of the domestic constraints, whilst in the case of the latter, the embedded interests of the established powers in the global financial system put an external limit to what China can do. Consequently, rules for trade, currency exchange and transactions were created and designed in a policy framework keen and convenient to the Western system. China still manages some of its commercial operations through its own rules and convenience, being its loan and repayment mechanisms discussed later in this research, one of the most representative ones.

The more contributions a country makes to financial institutions, the more leverage it has. In the case of the WB and the IMF, the United States and the European Union have a major share of the voting power within both institutions and China remains in the third place of contribution for the Fund and fifth place for the WB, which affects its voting power. Chan (2017, p.256) argues that China has apparently used its aggregate economic power to enhance its position in the global financial structure and attempted to gain regional leverage through the Asian Infrastructure Development Bank and within the Chiang Mai Initiative but, the country still plays a relatively low profile in international political affairs with occasional strong rhetoric statements on issues of injustice in the existing system as China regards it. Despite the attractiveness and innovative character of China's set of rules and multilateral mechanisms, the cost of accepting China's presence through infrastructure projects or requesting loans, as shown in the forthcoming chapters, entails a tacit acceptance of these rules and the acknowledgement of China's agenda.

The result of China creating its own rules for trade and financial instruments involve the presence of the state in creating and regulating environments that are normally managed by general economic theory and market rules. Monetary policies in China therefore, have been regarded as 'currency mercantilism' by other countries, particularly by the United States. The surplus from China and the deficit from the United States have contributed to the global imbalances problem (Foot and Walter 2010, p.129). Miranda (2018, p.29) summarises the challenge by arguing that what sets China apart is not only the massiveness of the distortions of 'factor pricing' and the cost of raw materials and energy, but also the fact that the government takes the responsibility of 'keeping markets in order' and directing key business decisions.

In the microeconomic dimension, there has been government intervention by artificially reducing the prices of the 'factors of production' (capital, land and labor) and energy to turn the country into the 'factory of the world', regulating competition to avoid damage among Chinese firms and encouraging specific sectors (Miranda 2018, p.30). Additionally, and in terms of foreign trade, the way China manages the Yuan and trade operations in this currency has also served to achieve agreements on macroeconomic policy fora like the IMF, where during the 2000s China was encouraged to appreciate the Renmibi for its own domestic management and for stable economic relations. The impact and importance of China's economic growth can be translated into influence therefore, it also has the potential of turning into diplomatic gains.

The Asian Infrastructure Bank is an additional example of how China has been extending its economic clout, where financial resources can be translated into diplomatic gains. Chan (2017, p.246) explains that fifty-seven countries have become founding members and the initiative is rejected by the United States and Japan under the arguments of holding reservations about China's financial rise and its standards of financial governance about operational transparency, labour standards and environment protection. Mexico is the third country that has rejected to participate in the initiative due to the same concerns and also pressure coming from up north, as Canada has not joined either.

Conversion of China's economic success into diplomatic gains

China through its economic policy since the reform era, has created the means to produce goods, process them and integrate economic activities to the global value chain. A healthy and productive economy is a source of power in terms of diplomatic and economic bargaining, as it underpins self-sufficiency. China has created its own source of leverage through the creation of an economy capable of producing goods that can satisfy local demand, building an efficient network and platforms for exports, designing the means for supporting companies overseas to expand and targeting markets overseas through attractive agreements. Globalization has also brought a tendency for decentralization of processes and product segmentation to produce more goods and services efficiently. The relation between cost and benefit is the starting point to build an efficient value chain that produces goods, supplies a market, obtains the raw materials, sells the final product and sets the adequate market price to complete the cycle without disruption.

China has indeed achieved such cycle, as it has sought the means to obtain raw materials, invested billions in key sectors (heavy industry and technology), opened itself to foreign investment and most importantly, given work to its population and the potential to improve their quality of life. There is a concept of 'economic security' which, apart from consolidating and fostering the presence and legitimacy of the Communist Party, also seeks to boost competitiveness of national industries. China's domestic goals as a matter that can be addresses through foreign policy, is an additional component that sheds light to the rationale behind economic statecraft. Currently, China holds favourable trade balance with most countries, as diversification builds trade networks that work under global supply and demand of goods and services. In terms of numbers, China has a healthy trade balance where exports account for 2.098 trillion USD and 1.587 trillion USD for imports (CIA Fact Book 2017).

Fan Rui (2015, p.3) mentions that as China's clout grows in the international trading system, competition between Chinese exporters and foreign companies has intensified. This has led the Chinese government to be reserved on certain economic matters, these 'reservations' are translated into restrictions to foreign investment, limited incentives and preference towards state-owned enterprises. The presence of subsidies and preferences given to state-owned companies has turned them into white elephants hindering their own competitiveness in terms of producing steel, construction materials, technology and manufactured goods steadily with no assurances of these being consumed by the market.

Rui warns about overcapacity, which is one of the problems generated by these preferential policies and, that represents an obstacle for growth. China has a surplus of capital in terms of financial resources but, overinvestment, repressed demand and external shocks are factors that cannot be controlled and that are damaging on the long term if they are not addressed adequately through efficient policy. China's infrastructure projects therefore (railways, airports, roads, etc.) overseas using materials produced locally and bringing locals as workforce addresses two policy priorities: solving overcapacity and providing people with a job.

Naughton (2009, p.4) details that, since government enterprises had better access to fiscal and banking sources, the industrial policy is heavily biased towards the state sector. This 'industrial bias' policy includes means of economic statecraft because these sectors are normally strategic or key in most countries therefore controlling or managing them, as explored in the forthcoming chapter, implies having an important role in policy and decision-making. Nolan (2002, p.120) explains that there are tariffs and limitations to access domestic markets where technology transfer is one of the main conditions, moreover because such transfers are to be completed with selected domestic firms, most of them state approved as discussed in the forthcoming chapters.

The logic of these transfers and joint-ventures arranged at the convenience of Chinese companies is the same for infrastructure projects and loans granted by the Chinese state, as granting funds to another country to build a project planned according to the convenience of the Chinese counterpart, and paid by the Chinese state bank using materials imported from China, and built by a state-owned company has a clear benefit for one party and solves the urgency of maintaining a constant flow of cash. The implications of using economic instruments through these means has further implications, as Huang (2008, p.237) explains, development, investment and growth as state-guided originated oligarchic capitalism empowers and enriches few at the expense of many.

Although there is a consensus among social scientists regarding the importance of measuring development, welfare and political stability based on economic indicators such as GDP, it is important to identify the particularities or singularities during the periods in which such indicators originated. There are other variables such as the Gini coefficient, that help economic analysis to be more accurate, realistic, and ultimately critical while discussing the advantages or disadvantages brought by economic growth. Nevertheless, except for he Gini coefficient that has been growing since 2015, its healthy GDP and trade balance indicators have served for two strategic purposes: the origin of China's economic capabilities and for the Party to justify its legitimacy.

Beckley (2011, p.61) and Huang (2008, p.27) explain that nominal GDP data may not be sufficient to reflect the resource costs by focusing on welfare implications for the Chinese people who suffered a reduction within rural income, education and health services in the 1990s. Measuring growth through gross-domestic product only is not representative of reality as there are indicators which are not entirely positive. Shirk (2007, p.20) explains that China can continue growing for the next two decades but, it must start planning how to face internal challenges that may turn into obstacles, such as aging population, bank insolvency and employment among others. These problems could be more acute due to the importance given to growth-centric policies which, as Fan Rui (2015, p.3) explains, have a strong impact due to their capital-intensive nature.

Inequality however, keeps on being a strong concern for Chinese leaders because it has the potential of triggering social unrest. Since risks to stability are political in nature, the most politically explosive kinds of inequalities are the ones people can see with their own eyes, this is: the stark contrast between the rich and the poor and how purchase power parity decreases. Brown (2016, p.36) explains that after the reforms were carried out, a small but growing group became rich. Money and material wealth are an important source of power in almost every political culture, and due to its corrosive effects on officials and their families, corruption is an additional matter that could undermine the leadership of the party. Corruption comprises an additional means for wealth generation in many countries, and China and Mexico are no exception, particularly the latter. In each case however, corruption is multidimensional because it is determined by domestic conditions that depend on cultural and legal factors within the country.

In the case study, corruption has served as double-edged sword, as on the one hand it has been one of the reasons that have undermined China's effective presence in Mexico and on the other, it has also encouraged business deals in some sectors. Additionally, it also enhances the effectiveness of economic statecraft, as infrastructure agreements and biddings are normally high-level negotiations that consist on carrots and sticks or zero-sum games. In the case study however, the equation is complex due to the widespread presence of the problem in both public and private levels. Therefore, negotiation outcomes can change continuously depending on the variables and the parts involved. The case of the high-speed train to the city of Queretaro illustrates this.

China can be analyzed through how domestic actions are reflected on the international level from the roots of policy making. Although China has been governed by the same political party for more than fifty years and that there is consistency regarding policies that target the implementation of long term goals, the personality of the people who are in the Politburo and in the key ministries is an important feature that can be reflected on foreign policy actions. The process of transition between Jiang and Hu who were focused on improving China's domestic environment and enhance economic growth, gave way to a different strategy targeted towards China's expansion on the global level and use economic growth as the means for diplomatic gains.

Therefore, the plans of the Head of Government and his personality have an important role as Brown (2016, p.45), Nien-chung (2016, p87), Hughes (2016, p.2), and Topgyal (2016, p. 15) explain, the importance of the leadership style in the process of formulating foreign policy and how it changes when related to certain issues, can determine the actions to be taken when the topic in question is discussed in international forums. The Head of Government in China has the capability granted by the law, to manage and establish priorities according to the needs that must be addressed in the country.

For example, Xi Jinping as the Head of the Communist Party has promoted the priority of defense education as a part of the defensive posture towards territorial disputes and the use of force and has also created a whole new project for the future of China. Hu Jintao, an additional example, had a stringent posture towards Tibet compared to his predecessor Jiang Zemin due to his previous experience as the Party's General Secretary in the Tibetan Plateau during the turbulent 1989. Hu designed stronger and restrictive policies added to the already existing ones, to be applied in this area because of the aftermath of the 2008 uprising in Lhasa. Xi Jinping's vision of 'China Inc.' represents a new era for the country, as it entails a series of long-term strategies that aim to turn China into a global power with a strong presence and influence in its neighborhood and most importantly, restore China's 'glorious past' to regain its 'natural position' as a respected power.

Tiananmen represents the beginning of an era that implied renovation for China due to the potential risks of internal instability on the long term, therefore the Party chose to impose its authority through its own definition of order. Therefore, the means through which the Party addressed the protest gave way to speculations of what Nathan (2003) and Yahuda (2011) mention, as some observers thought that the Communist Party regime would collapse after Tiananmen. Instead of crisis, economic growth restarted, inflation came under control and both foreign direct investment and trade expanded. Favorable economic indicators paved the way for the Party to enhance its legitimacy and created the base for a more assertive China. For instance, as explained by Nathan (2003, p.6) and Acharya (2014, p.66) economic growth translated into performance is an important source of legitimacy for autocratic rulers. The immediate consequences of development and economic growth are palpable and observable, something that leads to domestic policies destined for stabilization.

This originated a 'third wave' that consisted on the Communist regime reconsolidating itself, a matter that contested the ideas of authoritarian regimes as non-sustainable on the long term. Pye (1998, p.17) explains that rulers use different means to legitimize authoritarian rule, and one of them is the exploitation of the potential for societies to get united through support for the government. This applied to China means that they have been able to create policy initiatives and setting out to accomplish them with almost no opposition. The advantage of having s single party in power for a long time, is that policy continuity is easier than in other political systems where there is an alternation of political parties and therefore, the possibility of having entirely different policy goals.

The question of how the communist regime survived the Soviet Union's demise could be explained by analyzing the strong nationalist roots of the party in China. This has implications for policy because such ideological differences can determine interactions among the different actors in both the domestic and international levels. After Tiananmen massacre, these ideological differences turned out to be more palpable and have served as a watershed in the debate towards the nature and the elements of a market economy, a matter that by itself has caused controversies. Additionally, the case of Tiananmen added to its symbolic importance as a watershed in terms of ideology and policy, it also turned into a 'ghost' that would underlie the importance of domestic stability as a priority for the Communist Party and a pivotal task for its leaders. Tiananmen was, above all the first time in which the 'barrel of gun' was turned against people.

The possibility of a non-democratic, non-Western country becoming a global power using its economic and financial capabilities as its main source of power and influence regardless of its ideological position represented a challenge for previous powers that expanded through military means in the past. China's economic statecraft therefore, has further practical implications not only in terms of the depriving effects on the economy of the receiving country, but also in terms of accepting 'China's way' of banking and trade activities, which as shown in the following chapters, in most cases lacks clarity and are subject to change without previous notice, economic sanctions imposed by other powers such as the United States are more predictable due to the common ground within trade and banking regulations shared with other Western countries.

The Importance of Leadership in Foreign Policy

Analyzing China from the leadership point of view is a complex task due to the differences among its leaders after Mao Zedong, as each of them had distinct perspectives about the traditional Marxist doctrines and Leninist principles but all had objectives in common. Brown (2016), Kissinger (2012), and Minzer (2015) explain how Chinese leadership changed drastically after the highly restrictive and extremely indoctrinated times of Mao Zedong that brought a drastic turn to the environment through the sudden reform era carried out by Deng. The presence of an intra-party ideology that has been consistent since the 1950s has helped China to fulfill objectives and design others on the way efficiently, as the country is not subject to the possible effects of policy disruption that can come as a consequence of political party alternation.

The role of leaders in creating and outlining principles on the domestic level and then translated into foreign policy level is of the upmost importance, as they become part of long-term plans. This relationship is essential to discuss, as it reveals the rationale and the importance of the role of the state behind the exercise of economic statecraft. Brown (2016, p.30) explains that the power of ideas brings an ideological justification for policy changes and, that Chinese leaders are different to those in democracies because of their ability to work within a longer time frame facilitated by the one-party system. The current role of leadership in China stands in contrast to the previous administrations where the government spent time and resources to self-off China's borders from foreign ideas and competition and has switched to project Chinese power internationally and to assert itself as a champion of globalization (Economy 2018, p.14).

One of the most relevant characteristics of domestic policy-making in China is how leaders deal with national objectives and how each creates a different doctrine that results in an objective. The differences between each leader also serve to identify the difference between a passive China that focused on its own internal growth and domestic stability to an assertive China that turns economic growth into diplomatic gains using economic statecraft. Therefore, it is after 2012 that China presents a clear pattern that tends to assertiveness by using foreign policy as a major strategy for consolidating its role as a world power. China, therefore has moved from Deng's low profile concept that implied observing and taking a slow approach, to Xi's China that has a major activism on global affairs by calling for rejuvenation of the Chinese nation opposed to Hu Jintao's tenure to move away from a commitment to keep a low profile in international affairs to one that actively seeks to shape global norms and institutions (Economy 2018, p.12).

The impact of Deng's reforms

Minzer (2015, p.130) explains that Deng Xiaoping's theory provided a new perspective to China in both the domestic and foreign policy perspectives and served to establish the main priority: uphold the rule of the Party at all costs. This required the suppression of elite politics and an approach to results, merits and performance rather than ideology on the government level. Kissinger (2012, p.324) mentions that Deng's reformist style also came because of the sufferings under Mao's years, as he and his son became victims after his family was deemed as 'ideologically incorrect'. The idea of one person with many responsibilities was the only Maoist principle that Deng left intact and it is still present in the figure of the Politburo and the Standing Committee.

Brown (2016, p.45) adds that Deng avoided high-blown rhetoric, stuck to policy pragmatism and used an appropriate language to convey this. Before the outbreak of Tiananmen, the most important matters for China were the strategic moves towards economic liberalization and creating an environment for rapid development. Tiananmen serves as an event that marked a different era for Chinese domestic and foreign policy, and it has different meanings for scholars and researchers when they explore further the different realms around policy-making in China.

Minzer (2015, p.132) says the reaction from the government towards the movement was of suppression due to the awareness of politics of succession as a major driver of the Soviet collapse. Kissinger (2012, p.406) adds that although Deng defended independent thought and decentralization, he did not have the idea of moving towards democracy. Both Minzer and Kissinger note the importance of the consequences of market forces that were translated to the government level through the creation of a bureaucratic apparatus that could respond to protests and prevent social unrest.

Capitalism, according to the most conservative factions in the party, was the reason behind unrest therefore, China needed to slow down. Kissinger (2012, p.411) explains that Tiananmen Movement targeted the government to make it appear weak, which was not necessarily the case as China was suffering the consequences of strong government control and liberalization at the same time. From this perspective, Huang (2008, p.41) claims that the faults and contradictions with traditional socialist dogmas from Deng's theory where the main reasons behind the failure to meet the new socioeconomic demands.

Deng drew the pattern of what China's national interests would be during the next decade: The idea of 'the color of the cat does not matter as long as it catches mice' was translated into long term goals that would lead China to create partnerships (Belt and Road Initiative) where the type of member does not matter if they contribute to the main objective. The only objective that could not be accomplished, was maintaining a low profile, moreover after China's entry to the United Nations, the WTO and its involvement in multilateral forums. While exercising economic statecraft, China has also entered to the game of power-politics by using economic capabilities instead of the traditional military means.

Jiang Zemin and Hu Jintao: The Architects of Rapid Development

Jiang Zemin came into power under complex conditions and challenges, as he had to face the consequences of change brought by the reaction to Tiananmen, he managed the transfer of Hong Kong and in many ways, he established the beginning of what would put China on the international spotlight: economic growth. Jiang was the first leader of the 'Technocrat' generation, as he had no revolutionary or military credentials. This background contributed to the shifting of priorities towards urban development and strong emphasis on innovating in science and technology.

Brown (2016, p.45) mentions that Jiang's style was more emotional, and Kissinger (2012, p.440-441) develops more on the matter by explaining that Jiang faced one of the most complex crises in China's history, as communism was dismantling elsewhere, and the country was under sanctions. Apart from international pressure, Jiang also had to deal with the conservative faction inside the party but, he kept on having the same position as Deng by rejecting Maoist indoctrination and putting emphasis on improving social stability and enhancing productivity. Jiang also sought to vindicate the program of reform by claiming that it would not go against China's socialist heritage because economic reform and development were 'revolutionary acts'.

He appealed to nationalism by resorting to national pride and pushing people to achieve growth objectives. This appeal to nationalism and pride as means for pressure is a prevalent feature in some cases of economic statecraft, where people get convinced or in some cases indoctrinated by the government in most cases or by the relevant interest groups, into rejecting products or travelling to the countries that have been causing problems to their homeland. The case of banning Lotte products and the closure of stores in China out of the THAAD outcome or the protests outside of Japanese factories in China after the South China Sea dispute, exemplify this. Shing Huei (2014, p.75) illustrates the importance of symbols and the historical legacy perfectly, as in the case of territorial disputes of Senkaku/Diaoyu islands there was an appeal to the atrocities committed by Japan and, Japanese brands such as Toyota were targeted in China by the people.

Jiang contributed to domestic policy through the idea of the 'Three Represents' that also had an international dimension. The first idea of representing the development trend of China's advanced productive forces is shown by the increasing importance given to quality of academic training to have a skilled workforce (Communist Party of China, 2006). The quality of a country's work force, according to Jiang, is the most important factor for an adequate development and necessary in the path to progress. Investing resources for sending people to acquire quality knowledge outside of China is also a relevant component of this idea. Academic exchange as such is also a means that helps to pave the way for more economic presence between the two countries, as 'the trade of knowledge' is also an alternative for strengthening ties.

The second idea, representing the orientation of China's advanced culture is an ongoing task that through its collateral effects, has created organs such as the Confucius Institutes all over the world and the increasing interest in learning Chinese. The most important part of this idea however, is centered on the quality of Chinese people in the intellectual and moral realms as well as being a society with ideals and a strong sense of discipline (Communist Party of China, 2006). This objective is to be achieved through the guidance of Marxism, which is told to have a 'dynamic' character. Today however, and because of economic growth, it is difficult to find the Marxist principles in a society that is increasingly becoming more capitalist because as Brown (2016, p.203) says, the problem is that now the world is more interested in China's money than in the people, and this interest by itself has a 'diplomatic' price.

The third matter refers to representing the fundamental interests of the Chinese people. This is the most complex due to its conceptual nature as it gives room for many different interpretations, as the guide of 'from the masses to the masses' has a complicated practical dimension. Fewsmith (2003, p.7) in his analysis about Hu Jintao's initial speech explains that in fact the Three Represents can have different applications and interpretations, but the essence of a Party that works for the people remains, as the emphasis on long terms goals are targeted towards self-sufficiency and the improvement of life in the country and an increase in the income of people keep on being top priorities.

In terms of foreign policy, Jiang had many successes through the peaceful return of Hong Kong and the reconstitution of China's relations with the U.S. (Kissinger 2012, p.447) and he bore in mind an essential matter: He was cosmopolitan enough to understand that China would have to operate within an international system, therefore healing domestic wounds and softening China's image were pivotal tasks (Kissinger 2012, p.450). During his administration Jiang also conducted a deep analysis of the importance of gradual opening-up and the importance of reform that provided a strong base for the Party to constantly renew itself and shape plans on the long term.

Hu Jintao, as Brown (2016, p.45) explains, stood in stark contrast compared to Jiang, as in the way he directed himself to the people and the other government organs, he was more dogmatic. Hu also faced considerable challenges on the foreign policy level, such as the first years of China in the WTO, dealing with North Korea and the issue of instability in Tibet where awareness went beyond China's borders. North Korea constitutes the most known case of economic statecraft, and during Hu's years negotiations to denuclearize the unstable neighbor had an economic component with China's presence during the Six Party Talks.

Kissinger (2012, p.490) mentions that Hu's previous experience as the Party Secretary in Tibet provided a wide perspective of China's resurgence and conscience regarding domestic problems, as he entered in a stage where China was now part of the global economic order with many interests but still undermined by a precarious domestic situation. This 'precarious domestic situation' got worsened after awareness of China's internal problems grew around the world. This external awareness, particularly after the crackdown on the protests in Lhasa before the 2008 Olympics, raised alarms in the country by shifting its attention on how to manage these sensitive issues externally.

Since the Party is put in a difficult position where even its legitimacy can be jeopardized if these issues get out of hand, the party needed an urgent strategy to diminish or at least counter this awareness. Economic statecraft represents a suitable option because as stated in the next chapter, it does not imply a direct confrontation and can be effective depending on the condition of the target vis-à-vis China. Reactions regarding countries involved in interactions with Taiwan or addressing the issue of Tibet are translated into turning these countries into economic statecraft targets because the strategy would work for China's advantage. China's reactions range from energic statements coming from Chinese embassies to sudden boycotts and 'shipment inspections'.

Kissinger then adds that since China was still in the process of recovering from its internal crisis, Hu and Wen came to govern on the moment in which China was no longer restrained by Western apprenticeship, which put them on the position to conduct their foreign policy in terms of actual power instead of potential or long-term goals. The international context was also relevant for Hu to regard stability and social normalcy as paramount. Hu prioritized continued economic development by preserving social harmony (known as 'Peaceful Rise' discourse) with a population enjoying the benefits of prosperity and envisioned a dramatic decrease in inequality. These priorities brought an important contribution to an underlying principle in China's foreign policy: harmony.

Kin-Man (2010, p.822) mentions that the concept of 'Harmonious Society' came as an answer to the environment of inequality and other social problems. Hu focused on a long-term strategy that consisted of reform in all social areas (or related) with the long-term objective of reducing the urban-rural gap. The ambitious strategy encompassed more complex objectives generated by rapid development, such as diminishing regional disparities, uneven income distribution, energy supply shortages and environmental degradation. Hu also included attempts to get rid of other problems that undermined the system and the country (such as crime and corruption) for the sake of common prosperity.

This comprehensive approach was more focused on the needs of people, a matter that later got reflected on China's foreign policy, first by showing a strong concern of acquiring the needed resources for both development and consumer satisfaction, and then using the 'Peaceful Rise' rhetoric in discourses. The idea of harmony as an underlying principle can be noted not only in the Five Principles of Peaceful Coexistence but also in how China claims to interact with the rest of the world and its tacit support for peace.

This idea stands in a stark contrast to the approach used by Hu's successor, Xi Jinping, who has pursued a more aggressive approach towards foreign policy objectives. Whilst Jiang and Hu concentrated on building a strong and solid policy base for a stable and sustained economic growth, Xi is using the outcomes of this growth for influencing China's external environment through the mapping of the world by zones, a differentiated strategy according to the region and a clear agenda for economic expansion.

China after a period of 'controlled seclusion', sought to achieve other long-term objective: be regarded internationally as a serious power and at the same time, satisfy the needs of its population and its economic growth through strategic partnerships on the global level. Economic statecraft and its instruments transform economic growth into a foreign policy component and the latter into a means for political gains. Therefore, diplomacy in this context turns into an implicit demonstration of power where there is a consequence for any action regarded as a threat by China to its sovereignty or its national interest. Additionally, the importance of the Communist Party as the legitimate authority that can provide what the population needs is one of the most important messages to convey to the international community as clearly as possible.

Economic statecraft is a feature of Xi Jinping's strategy to consolidate China's influence on the international environment coupled with the accomplishment of domestic policy objectives such as the One China policy. This policy shift implies that China starts to convert is economic gains into diplomatic advantages and from this perspective, economic statecraft is defined as a strategy or group of tactics with short or long-term impact that pursues political objectives through economic means and instruments. The origins of the concept and its theoretical implications are discussed in detail in the next chapter.

Xi Jinping, the China Dream and its implications

In the case of Xi Jinping the principles laid by previous doctrines have remained in substance, but the approach has changed. Xi's initial discourse reveals an intention to consolidate China's importance as a global and economic actor through a paced process of reform whilst keeping stability and economic growth. Xi also showed awareness of the system as prone to the risks of becoming unstable and collapse, as he appealed to the mistakes made by the Soviet Union in terms of the army being separated from the Party and the inability to adapt to changes and respond to challenges. The concept of communism presented in this discourse is presented as a 'high ideal' that is above the nation (Shing Huei 2014, p.279). The 'China Dream', therefore is the project that represents the means to achieve the 'ideal' communism as perceived by Xi.

The idea of 'China Dream' is an ambitious enterprise that comes out of the reform period. Brown (2016, p. 209) details that Xi has built the vision of a China that will be a middle-income country by 2020 and by 2035, a unified country with a strong GDP growth, with the Communist Party still in power and in control of all political, social and economic policy levers. Nien-chung (2016, p.82) explains that through the Chinese diplomatic establishment, China would be a global power with varied interests and responsibilities but without the conservative and low-profile approach to foreign affairs used in previous stages.

Xi is seeking to increase China's importance as an international actor and at the same time keep on improving domestic indicators, something essential as economic growth has become inherent to legitimacy. Brown (2016, p.149) mentions that China's growth model is high-maintenance and for the time being, no country has been able to sustain this speed and extent of growth and it is always subject to the availability of resources. Nien-chung (2016, p.83) remarks that for this reason, foreign policy must not longer be merely a reaction to the actions of others, but instead form part of a broader, long-term global strategy that covers a clear assertion of China's domestic and external priorities. China's demanding needs makes it to have a pragmatic approach and turns the country into a realist power, looking to maximize its own self-interest as it creates links and bonds internationally through different policy instruments (Brown 2016, p.185). Economic statecraft therefore constitutes one of these policy instruments to effectively achieve objectives created out of China's self-interest.

Minzer (2015, p.140), Naughton (2012, p.1; 2015, p.7), and Nien-Chung (2016, p.85) note that the tendency of Xi's presence in all the key-policy areas and organs (labeled as 'authoritarian reform') gives the China Dream a dimension of new activism at play within China's economic diplomacy, which signals that the new leadership has embraced the idea of employing economic resources in the service of foreign policy. Brown (2016, p.47) analyses the China Dream from the emotional point of view, by explaining that currently there are increasing appeals to nationalism and to sentiments of a rejuvenated China with its honour and status as a leading nation restored. The presence of Xi in most policy-making processes breaks with the highly institutionalized and centralized character of foreign policy during Jiang and Hu.

In terms of investment indicators, there is a palpable difference between priorities in China during Jiang and Hu's terms as rather directed to domestic stability and addressing concerns inside the country compared to the additional emphasis given to China's internationalization in Xi's term. Consequently, after Xi became President, investment indicators and China's assertive behavior rocketed to the current levels. Investment levels during Jiang and Hu reflected on data, accounted for 691.4 billion USD from 2005 to 2012, and then after Xi became President, investment from 2012 to 2018 accounts for 1321.9 billion USD (American Enterprise Institute, 2018). China's increasing presence in the world and its importance as a trade partner, investment receptor and investor has been enhanced by Xi's concept of turning the country into an active, effective and powerful global power, not only a passive observer judged by other powers and other states as it was assumed to be during the beginning of 2000s.

The concentric circles model designed by Xi, reveals China's internationalization as a structured and planned strategy, as it shows how China regards other regions of the globe and the importance of each of them. China has been following different strategies depending on the region, its specific objectives depending on the country and the intensity of its involvement. The main priority for China, alike any other power, is the country's neighborhood as neighboring countries comprise its main trade partners. The cases of South Korea and Japan, China's top export and import partners, have shown the intensity, extent and possibilities of China's economic clout as both have been targets of economic statecraft. China punished Japan in 2012 with the closure of factories and Japanese goods smashed by people during protests despite these two countries having healthy economic indicators and diversified economies. South Korea was also hammered by China after the approval of THAAD through closing down Lotte stores and diminishing the influx of Chinese tourists to the country.

Economy (2018, p.12) explains that Xi seeks his own model of politics and foreign policy through a unique Chinese model that he believes will deliver his China Dream and even become a standard bearer for other countries disenchanted with the American and European models of liberal democracy. Pragmatism is the most prevailing characteristic of China's foreign policy, as it does not have any alliances except for the case of North Korea. The country is rather attracted to mutual definitions and understandings of material interests that link with its own internal priorities. The cohesiveness between China and other countries, therefore, is multidimensional and makes economic statecraft complex and with a diffuse strategy. Xi's plans targeted towards China's expansion have achieved unimaginable places that are normally avoided by investors and companies due to risk and safety reasons.

The case of South Sudan for example, shows that economic resources has also given China a sense of confidence with Xi Jinping to get natural resources regardless of its origin. China's investment in the country before 2012 was non-existent due to its recent creation, but after that year investment has been nearly as much as in Sudan. South Sudan has had a total of 5.95 billion USD from 2012 to 2018 which, opposed to what Sudan has received from 2005 to 2018 is more substantial, as the total from 2005 to 2018 accounts for 7.52 billion USD whilst after Xi from 2012 to 2018 it accounts for 3.15 billion USD (American Enterprise Institute, 2018). South Sudan, therefore, has become more important than the neighbor and, despite its sensitive and unstable situation with the latent possibility of a civil war China has absorbed the risk because it has enough economic capabilities to cover any eventuality. The peculiarities of developing countries as risky investment destinations are further discussed in the next two chapters.

The China Dream project which envisions a unified country, with a strong GDP growth, the Party still in the power and controlled social and economic policy levers for 2035 means different things for those who are outside China (Brown 2016, p.188). Xi's plans entail risks, such as social questions around the country's continuation as a stable and unified country, its domestic political model, geopolitical questions involving the impact of the outside world and economic questions involving the issue of maintaining sustainable, good quality GDP (Brown 2016, p.212). Issues that are sensitive for the country such as the One China Policy or Tibet are to be managed to avoid unnecessary conflict, as China does not wish to risk its internal stability and sustained economic growth. Social issues involve the unity of China, as there are more than twenty contested areas and 50% of the territory presents continuous cases of political instability.

Economic statecraft therefore, has provided a means for keeping these matters at bay or managing them more effectively. Additionally, it also allows China to use its main strengths and capabilities in the form of investment, loans, infrastructure projects and treaties to expand its influence and attempt to create an adequate environment that suits its interests on the external level to guarantee stability and legitimacy on domestic grounds. In contrast, reciprocity could be expected from the receiving countries or from China's partners in general but on the opposite, Xi has increasingly constrained the avenues and opportunities by which foreign ideas, culture and in some cases, capital can enter the country by building a virtual wall of regulatory, legal and technological obstacles (Economy 2018, p.10).

This chapter has explored the basic notions of the context that has shaped China's economic capabilities and China's decision to use them as a political tool. Economic statecraft is an efficient technique depending on the sender's (in this case China) capabilities, therefore economic growth and becoming the second largest economy are translated into a source of leverage. Whether the country can influence its trade partners or its neighbours successfully, as explained in the forthcoming chapters, depends on the depth of economic relations with China and the domestic environment of the country that interacts with China through trade or investment, or by being a receptor of infrastructure projects and loans. China, as Economy (2018, p.17) mentions, takes advantage of the political and economic openness of other countries but with little or no possibilities of reciprocity in terms of these countries having the same opportunities in China. The following chapter addresses the essentials of economic statecraft in terms of theoretical debate, types and the actors involved in its planning and implementation, as well as an analysis of why China prefers using its economic instruments in developing countries rather than in the developed world.

Chapter 2

The Gap between Theory and Practice: Theoretical Perspectives of Economic Statecraft and Related Concepts

What is Economic Statecraft?

The concept of economic statecraft as used in this research is defined as a strategy or group of tactics used by the state with short or long-term impact that pursues political or policy objectives through the coercive use of economic means (trade) and financial instruments (loans) or both. The objective of this chapter is to explore the debate around this concept and its origins. Since sanctions served as the pioneer of using economic means for political ends, authors such as Baldwin (1985) and Norris (2016) provide an approach from a political perspective, whilst other authors such as Drezner (2009) and Fuchs (2010) illustrate the effects of economic statecraft in terms of numbers and indicators after specific events.

Literature about economic statecraft, which started with Baldwin's (1985) contribution of the concept through the analysis of causes, effects, implications, factors and context of sanctions, has provided a general perspective about its meanings as a concept and the relevant theoretical frameworks from which it can be analysed. Since the current research is focused on foreign policy and international relations, the idea of economic statecraft presented in this and the following chapter assumes that is used as a policy tool and, the state as an entity with agency that seeks its self-interest and objectives using economic power as the preferred means compared to the use of force. Theoretical debate, however, lacks the practical implications and applications of economic statecraft, as it is focused on the perspective of cause and effect lacking other relevant variables such as the domestic complexities of the target country and the relevance of the agency of stakeholders.

In case of Baldwin's (1985) initial contribution for instance, despite the use of case studies, the line between the concept of sanctions and economic statecraft as the former defining the latter is unclear, as sanctions are a type of economic statecraft. Additionally, perspectives of economic statecraft analyzed through specific case studies giving a general overview with little or no analysis of the role of domestic constituencies, prove the relevance of addressing the role of domestic variables in either enhancing or hindering the effectiveness of economic statecraft. The case of China and its interactions with developing countries in particular, as argued in the fourth chapter, has been subject to generalizations that put developing countries as entities that are on the same level in terms of economic and financial indicators, precarious social conditions, unstable political environment and the same cultural and linguistic characteristics (such as Latin America).

These generalizations create a theoretical void, as developing countries have domestic actors with their own agency therefore relations with China vary according to the country. The United States imposing sanctions on Syria, Iran, North Korea and others in the name of 'common concerns' such as human rights or democracy for example, or the cases of China exerting pressure on other states different to Taiwan out of its self- interest, such as Norway granting the Nobel Prize to Liu Xiaobo or pressuring South Africa with the withdrawal of investment if a visa is granted to the Dalai Lama, are cases where the United States and China as the senders are not actors who act alone under the same rationale and objectives.

This chapter provides an overview of the theoretical debate, relevant concepts (agency and stakeholders), and contributions to the study of economic statecraft, the sharpening of the concept, types or actions of economic statecraft and addresses its distinctiveness from the known concept of economic sanctions. The chapter also addresses relevant variables related to why China's use of economic statecraft is unique in the reasons underlying it, why it matters to analyse China's foreign policy, the role of state power and the use of economic means and financial instruments as the major sources of power and influence. Economic interdependence and globalization are mentioned as two external factors that have allowed China to create a network of treaties and extend its presence throughout the globe, particularly the developing world.

Agency

The concept of agency is relevant for this research due to the nature of the impacts of economic statecraft on the target countries. In view of the different actors involved in enhancing or hampering the effects China's economic statecraft in Mexico, there is a question regarding the rationale of why policymakers (politicians, diplomats, secretaries of state, etc.), business sector (companies, business people), academics and civil society (non-governmental organizations, labour unions, population affected by China's actions in Mexico), react to China's actions in the country and the reactions out of these reactions.

Agency as presented in the literature has several interpretations that in some cases its definition is rather based on the context rather than on the nature of the concept itself. In the case of Sociology, agency requires an adequate theorization of the temporal nature of human experience to understand the different patterns of variable orientation that is determined by its structural contexts (Emirbayer and Mische, 1998, p.1012). Choices and decisions, from this perspective, are determined by the situational variable of the subject, as individuals engage patterns and repertories form the past, project hypothetical scenarios for the future and adjust their actions and decisions based on the present conditions. The importance of time and past experiences therefore define agency in terms of decisions and choices individuals make according to the circumstances in a given time.

Philosophy presents a more ontological approach around the concept of agency, as it defines it from the idea of 'agent' as a being with the capacity to act therefore 'agency' is the manifestation of this capacity (Schlosser, 2019). Anscombe (1957, p.2) emphasises the intentionality of action rather than the action, as the latter is determined by the former and, there is a reason for an action. Bermúdez (2018, p. 24) explains that from the perspective of cognitive science, judgements of agency are grounded, and based upon, features of our experience as acting subjects. Independence within the context of agency however, presents an additional feature around the nature of judgment. The author explains that any kind of evidence or ground provide independent support for what it is supposed to ground or provide evidence for. In summary, the major aspects within the philosophical definition of agency are rather related to intentionality and judgement that determine the actions and decisions of individuals.

Braun, Schindler and Wille (2019) explain that for international relations, there is an assumption of states, international organizations and leaders are capable of acting so, it regards 'international agency' as analytically given. Agency in the context of international actors, raises questions around what these international actors do and how their behaviour can be explained. In view of the different courses of action possible in terms of choices and decisions, theories of international relations help to conceptualise and explain the rationale behind the behaviours and actions of states. Societies in general can be political entities therefore in the context of this research China's actions and behaviour push individuals to make decisions which differ with those made in other countries with similar conditions according to the context and interests of each actor.

In this context, the variety of theoretical assumptions of agency used within international relations offers multiple understandings of the concept, as there are further actors with independent decisions that move further from the state as the major category for analysis, such as non-state actors. Theoretical debates around theories of international relations regarding the importance of actors and the behaviour of the state is not the major subject of this research. The idea of states and actors within states possessing independence for making decisions and taking courses of actions constitutes the main category of analysis and the rationale behind interviews and the profiling of interviewees. In the context of this research, the interviewees from these sectors also have an 'enhanced agency'. The concept of enhanced agency in this research implies that their role is determinant within the context of policy-making in Mexico and, that their independent actions and decisions have a major impact on domestic priorities surrounding trade and foreign policy. The idea of enhanced agency from this perspective is related to the use of the concept of 'stakeholders' discussed briefly in the next section.

Stakeholders

The notion of stakeholders in this research is related to the position of interviewees in terms of the group where they belong, this is: academia, government of the business sector. In the context of economic statecraft for this work, a stakeholder is any actor that has an agency and is affected by China's actions therefore a stakeholder could be a diplomat, a government official, a politician, a journalist or a business person, such as an entrepreneur. The concept in this research is used beyond its traditional use within literature related to management and business. In view of economic power translated into financial instruments such as loans and infrastructure projects has an extensive effect on a state and those who participate and manage economic activity, stakeholder comes as a suitable category. The role of these actors as 'stakeholders', is embedded in the context of types of economic statecraft (mostly related to finance and economics) discussed in the next section.

In terms of stakeholders as a concept, it is mainly related to literature about finance, economics and management, for example: for a company a major stakeholder implies an individual or a company that holds the major share of capital in the business and therefore has major leverage within the decisions of the company. Stakeholders from this perspective and as stated by Freeman, Harrison and Parmar (2010, p. 4) 'stakeholder' is a concept related to the business and management context, particularly designed to solve problems related to business: value creation and trade, ethics of capitalism and managerial mindset. Additionally although not related to this research, there is Stakeholder Theory, which suggests that if relationships between businesses and the groups of individuals who can affect or are affected by it are adopted as the major unit of analysis, these business-related problems can be solved (Freeman, Harrison and Parmar 2010, p. 5).

Types of economic statecraft

In this research, there is an emphasis on the use of economic and financial instruments as a means for leverage, where countries that hold a diplomatic and economic relation with China serve as targets. The impact of China's leverage depends on the extent of economic relations in terms of exchange activities, as these determine the degree of dependency of the target country. In all cases of successful economic statecraft exercised by China, all the target countries have an asymmetric relation where China is the favoured party in terms of trade balance or China as the major payee.

The typology of 'statecraft endowments' proposed by Blackwill and Harris (2015, p.49) is suitable, and its importance relies on its focus on additional instruments that go further from sanctions. They use the definition of known types of economic statecraft and use different categories to illustrate economic instruments with the geopolitical application used by the state. These instruments are all on the policy level and require a complex coordination between the state and the actors that will deliver them. Trade, investment, monetary and financial policies have a 'legal' (policy) background whereas aid, cyber-attacks, economic and financial sanctions, as well as regulations of energy and commodities are more subject to the context and to cause and effect. Depending on the results coming from the initial strike, the following-up strategy must be designed according to the reactions of the receiving country, with a particular focus on whether coercion has been successful by generating the desired outcome.

The practical application of these instruments is evidenced through the analysis of specific situations, for example: the conditions China imposes to investors either for setting up a business in the country through joint-ventures with national companies or technology transfer, or by conditioning the major shares of joint infrastructure projects to these companies (normally SOEs). Additionally, Blackwill and Harris (2015, p.87), Norris (2016, p.28) and Reilly (2013, p.4) explain that there are specific factors (endowments) that give the state the faculty to control commercial actors and illustrate China's economic strengths and capabilities.

The first endowment is the ability to control outbound investment, which implies the presence of the state in trade agreements and strong regulation. China manages its outbound investment through SOEs and banks. The second is domestic market, where access is conditioned by the first endowment but keeps on being a comparative advantage due to the size. China has restrictive conditions for other firms to enter its large market, where there are compulsory joint-ventures with other Chinese firms and know-how transfer.

The third is influence over commodity and energy flows, paramount to the nation, as resources for energy generation comprise the engine for industrial growth. China's idea of the Belt and Road Initiative consists of large infrastructure projects financed by state-backed loans, which also seek to regulate and exert control on hydrocarbons through the construction of pipe and rail networks. Relevance of energy-related projects with Mexico and other countries lies on China's need for resources and a guarantee of these being transported through safe routes.

The last endowment refers to the centrality of the global financial system, where the Renminbi is now included in the basket of currencies of the IMF, a matter that shows the increasing importance of China as an economic entity. Blackwill and Harris (2015, p.143) warn that Beijing's ability to translate reserve currency status into geopolitical tool opens the possibility of impacting borrowing costs from other nations and undermining the sanctions system. This is a far-fetched claim, as the Renminbi still faces some irregularities in terms of monetary policy and real value in the currency market. Mexico carries its trade operations in USD, which is a problem for China due to questions around real currency value.

Nien-chung (2016, p.86) claims that China is experimenting with the use of sanctions and is willing to trade economic means for political advantage to shape the behavior of neighbouring countries. The country's growing economic power allows a wider clout on multilateral institutions and provides additional resources for diplomacy. Reilly (2013, p.3) mentions that market size matters in terms of its role as an exporter, a market and an importer, where trade leverage is more significant than aggregate wealth so, China's market is undoubtedly attractive not only for the case study but for the world in general. Entering the market however, requires knowledge of the consumer, local regulations and the importance of having a local contact.

The size of the market, despite its practical complications, keeps on being a potential source of profit. China is aware of this and uses this privilege to acquire technology, know-how or give its national champions an opportunity. The project between China and Mexico for building the high-speed train that would connect the city of Queretaro with the capital serves as one example. The project was supposed to be carried out by two Chinese national champions, China Railway Construction Corporation and CSR Corporation Limited but, the plans for railroad maintenance as well as the materials to be used was not clear as both countries have different standards for planning infrastructure projects, particularly in terms of quality rather than quantity.

In view of the different possibilities to build a strategy of economic statecraft and the practical complications of implementing it, economic leverage lacks a clear strategy as it is selective through its incentives and punishments. The reasons behind China's system of incentives or rewards are not entirely clear. Goh (2016, p.280) explains that inconsistencies in Chinese foreign policy practices may result from the prioritization of domestic audiences and domestic political agenda. The country has domestic and structural constrains, as it depends on the management of banks and companies (Reilly 2013, p.4). The agency of banks and SOEs as profit-seekers must not be overestimated, as these entities also have objectives of their own that they seek to fulfill overseas.

There is a latent risk of commercial agents being reluctant towards carrying out economic statecraft therefore wealth and domestic market can undermine its effectiveness (Reilly 2013, p.12). Additional variables, such as the multiplicity of actors, the cost of economic coercion, deficiencies in the banking sector, its dependency on technology transfer and most importantly, consumers still constrained by a low average income, cause contradictory approaches to economic statecraft (Reilly 2013, p.14). China from this perspective, is not as powerful as it seems due to its own domestic constrains that are to be addressed through domestic reforms, such is the case of domestic debt becoming a major problem that could explode soon, as this debt accounts for 34 trillion coming from both public and private sectors (Bloomberg, 2018). Goh (2016, p.3) mentions that like every international actor, China draws upon different tools to purposefully coerce, induce or persuade others to behave in a certain manner and, the extent to which it succeeds is determined by the political context and decision-making processes of the target states (Goh 2016, p.4). Therefore, in most cases domestic actors in the shape of political elite inside target countries can either be enhancers or obstacles for effective economic statecraft.

The utility of the 'Geoeconomics' concept

Blackwill and Harris (2015, p.20) propose a more specific dimension to economic statecraft by creating the concept of 'geoeconomics', defined as the use of economic instruments to promote and defend national interests and to produce beneficial geopolitical results, where economic actions are meant to achieve geopolitical goals. Wealth, they explain, is limitless whilst power is limited therefore geoeconomics combines the logic of geopolitics with economics where economic actions and options are part of a state's power. Wealth is unlimited if there is a continuous and coherent strategy to generate it. This is an issue with China, as overcapacity is hampering and diminishing its prospects for growth. The 'Going Out' strategy, however, is also destined to address the issues of overcapacity and providing people with jobs and, by placing the production surplus through infrastructure projects to keep the economy moving through cash flow.

The authors differentiate their concept from geopolitics, as geoeconomics provides a parallel perspective of how a state builds and exercises power by reference to economic factors rather than geographic ones (Blackwill and Harris, p.23). They take from Baldwin that although foreign policy has different objectives, the use of economic instruments to advance geopolitical ends does not change the nature of ends themselves (Baldwin 1985, p.17; Blackwill and Harris 2015, p.26) In Baldwin's work, techniques of economic statecraft are portrayed inside economic diplomacy that includes coercion, sanctions, leverage, and warfare (Baldwin 1985, p.35).

Blackwill and Harris (2015, p.29) explain that geoeconomics projects differently, as not all states are created equal in their geopolitical power capacities, therefore they are subject to structural features or 'geoeconomic endowments' that determine effectiveness. Norris (2016, p.44) and Nien-chung (2016, p.86) claim that China has been using its clout in the international system rather than dedicating its foreign policy towards furthering economic ends. Military power and its related means, however, is not out of the equation as they can be used to clarify the hard-line approach and used in combination with other means.

The theoretical and practical implications of labeling economic statecraft techniques under the category 'endowments' serves to clarify the objectives behind these techniques which in some cases, are not necessarily related to economic harm. In the case of cyber attacks for example, the reasons behind them could not be necessarily related to exerting harm or economic pressure but to cause other type of harm or sending a political message to the target country. Geoeconomic endowments, therefore, are directed towards exerting economic harm rather than causing other type of effects on the target country. This conceptual distinction must be drawn to differentiate the objectives of these endowments, as in some cases the final objective is causing harm or in extreme cases, terrorizing the target country.

Nien-chung (2016, p.85) analyses the base underlying these endowments through which China by 'flexing the economic muscle', expects benefits and demonstrates economic superiority and the need to commit to economic support of its neighbours. The author states that using prosperity to assist diplomacy, gives benefits to the country's economic growth and the possibility of achieving political objectives (Nien-chung 2016, p.86). Blackwill and Harris (2015, p.49) use different categories to illustrate economic instruments with the geopolitical application used by the state.

The practical applications of these endowments as shown in the section addressing types of economic statecraft, can be illustrated by analyzing specific situations, for example: the conditions China imposes to investors either for setting up a business in the country through joint-ventures with national companies or technology transfer, or by conditioning the major shares of joint infrastructure projects to these companies (normally SOEs). Additionally, Blackwill and Harris (2015, p.87), Norris (2016, p.28) and Reilly (2013, p.4) explain that there are specific factors that give the state the faculty to control commercial actors. These endowments show China's economic strengths and capabilities.

Why economic statecraft matters to analyse China's Foreign Policy?

Li (2017, p. xviii) explains that China has presented a 'positive economic statecraft' pattern previously because from 1950 to 2009 it provided developing countries with funds and assistance in the form of infrastructure projects, agricultural technologies and human resources for foreign training programmes. Economic growth has effectively helped China to build strong relations with the developing world, raise its status on the global level and contend with Western powers on issues relevant to its self-interest such as human rights. Therefore, after Tiananmen protests Beijing has used its purchasing power and domestic market share as leverage to some extent to divide and rule among Western powers that were critical of China's human rights situation.

China's status as a world power and as one of the top investors has given the country leverage on international fora and has increased its clout on topics that are relevant on their agenda. Therefore, the possibilities of extending influence for China's convenience increase due to its economic capabilities. The practical implications of this however, imply that China seeks to modify or change the rules of the game, a matter that has been demonstrated through the creation of multilateral organisms such as the Shanghai Five (Eurasian cooperation mechanism formed in 2001 by China, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, currently known as the Shanghai Cooperation Organisation) and the Asian Infrastructure Bank. Despite the convenience of these institutions for countries that do not regard the Western set of rules as adequate for their cases, the effects of China's support as demonstrated in the cases of massive debts for example, from Argentina, Congo or Venezuela instead of solving problems, it causes more on the long term including the possibility of economic punishment.

Economic statecraft as such is not an overreaching concept that reveals the essence of China's foreign policy, as the country uses other means such as soft power with other mechanisms like the Confucius Institutes. The relevance of the Confucius Institutes as cultural centers where people learn about China and Chinese relies on their use as a means for 'soft power' and tool of public diplomacy. Evidence shows that these centers have not been exempt from controversies, as universities in the United States, Canada, France, Sweden and the Netherlands have closed them down under the argument of curtailing academic freedom through banning discussions around sensitive topics (Tiananmen Massacre, Tibet, human rights in China) and due to their relationship and funding coming from the Chinese government (Time, 2019).

Evidence shows that the major share of institutes that have been closed is in the United States, and media outlets such as the Washington Post have emphasized that these institutes are attempting to manipulate knowledge and opinion regarding China in academic institutions. In view of the 548 centers around the world and the largest number of suspicions and closures coming mainly from the United States, it is complicated to trace China's influence on academic freedom, as it depends on the institution where the center is based.

Economic and financial resources as opposed to culture and language, comprise the main strength and the main capability that China has been presenting to the world to expand and obtain the resources it needs to continue growing. The fact of China being a hybrid system where there is a communist regime and at the same time elements of a market economy is a major argument behind the complexity of China's economic statecraft because as stated above, its nature has changed depending on the circumstances. While there were positive outcomes for the states who received China's support without 'political conditions', the latest events that show a China using 'economic punishment' towards other countries such as South Korea with THAAD, Japan with territorial disputes and Norway with the Nobel laureate been given to Liu Xiaobo, show that the approach towards economic statecraft has changed.

Economists such as Fuchs and Klann (2013, p.169) explain that a country's involvement in international trade differs between democracies and autocracies. China is neither a democracy nor a free market economy and its administration has a greater capacity to influence trading decisions than a government in a democratic free market economy. China has created its own set of rules and mechanisms that do not fit into the known frameworks of banking, currency and trade rules. Since China still possesses characteristics of a command economy, it can control its economic policy and modifying it depending on the context and their needs regardless of market rules. The problem of having the state as a business manager is its harming effect on companies and economic indicators on the long term, as external shocks and crises are always a latent risk.

Buckley, Clegg, Cross et.al. (2007, p.500) explain that Chinese outward investors can be regarded as being state-owned, as private firms were forbidden prior to 2003. There have been changes in how the state manages openness, as in the 1980s, internationalisation of Chinese firms was tightly controlled directly or indirectly by the national and provincial governments. Currently, as discussed in the next chapter and later addressed by interviewees, although enterprises can have support from the Chinese government through subsidies for overseas expansion, there is an emphasis on advancing the economic development agenda within economic policy.

State control in economic resources in terms of how they are to be managed and where they are to be invested keeps on being an integral part of 'China's way' of dealing with domestic needs and using foreign policy to address these needs. It is essential therefore, to analyse the role of China as the top economic actor and the main source of investment in the position of being the sender country within the equation of economic statecraft, how it interacts with local stakeholders, the use of SOEs as the preferred means to implement it, and most importantly the reasons behind China's preference for developing countries as targets. The role of these components and their importance within the equation of economic statecraft is addressed in the next chapter.

Relation to the concept of sanctions

The field of leverage and statecraft is normally related to the system of economic sanctions, as thanks to the United Nations and the cases of Cuba, Iran, North Korea and others, sanctions are regarded as the most 'efficient' means by some of the Security Council and National Assembly members. In this research, China's interactions with Mexico have practical evidence of the use of economic statecraft through measures different to sanctions. Baldwin (1985) is one of the principal authors who began to explore the concept. The idea of statecraft, from a foreign policy perspective, implies a purposive behaviour that has an objective, a means and it is context-dependent (Baldwin 1985, p.16). The author explains that a distinction must be drawn in between the target and the ways in which it is to be influenced and the objective of the attempt. In the case of China for instance, the design of its financial tools and infrastructure projects is outlined in a manner that seems convenient for the receiving countries, and at the same time, useful for China for its policy ends on the long term.

Relative importance of targets and goals should be treated as an empirical matter rather than based on a priori assumptions in a conceptual framework, as both targets and goals depend on the context. Targets therefore, possess specific characteristics (such as a trade balance favorable to China) and goals could go from coercion through affecting trade to pressure, such as using threats to withdraw investment. Baldwin claims that due to the varying nature of targets and goals, there is a problem with fitting both in a specific framework. They assign primary importance of objectives related to the behaviour of the immediate target and secondary or even tertiary importance to objectives that are based on perception of third parties (such as domestic stakeholders in the receiving country) or with how the international system operates (Baldwin 1985, p.17).

Economic statecraft can be exerted to another country for policy reasons or for mere coercion, as in some cases one country exerts pressure on another for ideological reasons (U.S. and Cuba), in others pressure comes out of violation of international conventions (U.N. sanctions) and in others coercion is related to the interests of a single country (China). The strategy to be applied must be flexible enough to change according to the reactions of the target country, as depending on the reactions of domestic stakeholders and actions taken by the state, a rigid strategy could undermine the sender. The final objective of economic statecraft however, seeks to damage, undermine or hamper the target country through means that are convenient and generally harmless for the sender. Baldwin's focus on sanctions as economic statecraft however, implies the former as part of the latter, whilst sanctions are one of the types of economic statecraft, a claim also supported by Norris (2016, p.14). Currently, thanks to globalization and the importance of economic interdependence and the development of information technologies, new forms of economic statecraft have originated, such as cyber-attacks or the perfection of trade boycotts through blocking or hindering production chains.

The question of efficiency and usefulness of the sender's techniques depends on the recognition that a given influence attempt may involve multiple goals and targets of varying generality and importance (Baldwin, 1985 p.18). Blackwilll and Harris (2015, p.26) take this point from Baldwin regarding the effectiveness of these techniques, as the only dynamic variable is the type of instrument used for leverage, but the nature of the ends themselves does not change. The concept of power, discussed in the next section, is essential to understand the logic that underlies statecraft on the general level and for economic statecraft on the individual level. Power form this point of view, is not regarded in the strict term of the use of force, but rather as possessing economic and financial resources as means for coercion.

The equation of economic statecraft can be summarized as follows: Country A has relationship with country B, where the former has a favourable trade balance than the later translated into surplus for A and deficit for B or, country A has used financial instruments on country B such as loans and investment through infrastructure projects or individually, both managed by A's companies and banks on A's terms. Therefore, country B finds itself in a position of disadvantage and in some cases of dependency. Country A has influence on country B to some extent, moreover if country B has become a piece in A's strategic objectives and interests. The position of country B as dependent on A's financial mechanisms or trade makes it vulnerable if A decides to withdraw its support or reduce economic interaction. If B acts or makes a decision opposite to A's interests, the latter could take action by withdrawing financial support or diminishing trade damaging B's economic indicators. Domestic constituencies in B such as policymakers, government officials, business people and the local population for example, are key actors as B's government has a responsibility on allowing or enhancing A's influence or hampering it. Country B, therefore has its own agency therefore, the success of A's coercive measures depends on how domestic constituencies interact with and manage A's presence in the country.

Country A however, is assumed to have the state as the actor exercising coercion and pressure through economic statecraft on country B through its own stakeholders, which in the case of China are state-owned companies. Businesses and companies, as argued in the fourth chapter, also have their own agency and objectives but in the specific case of SOEs apart from profit, policy ends are a part of their strategies due to its proximity and close relationship with the state through the presence of Party secretaries, the top executive posts as part of the Communist Party and most importantly, the tacit economic support given to these companies through subsidies.

The role of power in economic statecraft

Baldwin (1985, p.22) explains that the relational nature of power has implications for the analysis of statecraft techniques that are seldom acknowledged due to differences between relational concepts and property concepts. The latter cannot be defined through a comparison between nation-states, whereas the former explains the position of advantage or disadvantage vis-à-vis other state. This implies that instruments of statecraft translated into policies, decisions, and diplomacy are unique in the context of the state and cannot be compared, as nature and means of these techniques vary. China's financial mechanisms are designed according to the country to which it is directed as they are related to agreements between governments and political elites rather than private individuals in the target country as the main stakeholders.

In this research, the concept of power and capabilities is defined through economic and financial means such as having a trade surplus vis-à-vis the target country or instruments such as loans and infrastructure projects. China has been using its economic power to pursue its policy ends related to its national interest (such as Taiwan, human rights situation in China and acquiring natural resources for sustained economic growth) since the 2000s by expanding its presence to other countries, mainly the developing world. Enjoying a trade surplus whilst the other has a deficit, or being the receptor of Chinese investment and infrastructure projects enhances China's position with its economic partners. Economic capabilities therefore, serve as the major source of power that allows China to be in an advantaged position and therefore able to exercise economic statecraft. Power from this perspective is not reduced to military capabilities but rather used in the form of economic means (investments, loans, and infrastructure) instead of the use of force.

Blackwill and Harris (2015, p.21) recognize that power projection and how it is applied to management of relations among states is important in terms of analysis from the systemic level rather than the nation-state level. Chan and Drury (2000, p.2) take a more focused approach by explaining that foreign trade and national power are interrelated, as states can also design the means for trying to minimize their vulnerability through the interruption of strategic imports while maximizing the needs of others to trade with them. It is necessary to be in a position of advantage vis-à-vis the target country to guarantee the success of any coercive measures related to trade. South Korea for example, with the decrease of Chinese tourists and the ban of Korean goods in many stores around China, was pushed towards negotiations out of necessity, as the Korean company Lotte was facing a considerable amount of losses.

Power in the context of economic statecraft shows an additional means of influence that moves beyond the traditional approach where military capabilities are assumed to be the major source for the state to achieve its own objectives. Thanks to globalization and the increasing importance of economic relations, the priority given to trade agreements and the participation of states in trade and finance fora, governments can measure and compare their economic indicators with other states. Economic interdependence and the size of trade networks throughout the world, has also enhanced the possibilities for powerful states to extend their presence through non-violent means on the grounds of 'mutual benefit' and 'win-win', as stated by Xi Jinping. The possibilities of managing domestic policy decisions through economic tools in other countries, therefore becomes an innovative way for a state that has become powerful through its healthy economic indicators and its wealth like China.

Why is economic statecraft a recent concept?

Baldwin's work provides a starting point from which it is possible to draw the main concepts related to economic statecraft, such as the significance of a sender, a target and a strategy. Nevertheless, the author draws from ancient and traditional statist thought to the modern era, where there is a mixture of political theory-oriented work (Kant, Machiavelli) and a more rigid and mathematical approach provided by economists (Keynes). Economic statecraft requires a combination of politics and economics, particularly from economic indicators as in the case of China's economic statecraft, trade balance and interdependence with the target country are two factors that determine success or failure of these measures.

Sanctions however, are normally regarded as a resource to stop or solve a 'global concern' such as non-proliferation or human rights violations, whilst economic statecraft in this research is rather related to self-interest because it is exercised by one country (China) instead of a group of countries (the Security Council) who have agreed on these measures and where the target country receives previous notice or warning. The cases of North Korea and South Africa during the Apartheid were planned and agreed within a multilateral framework (United Nations) and the target countries were given previous notice before the effective implementation of the measures. In the case of economic statecraft, sanctions comprise one of the many possible strategies and as China's case has illustrated, they can be unilateral and applied without previous notice, as except for the sender, it does not need any consensus from other parties to be applied.

Sanctions have been part of the repertoire used by states as means of coercion to governments before the Cold War, but economic statecraft offers additional measures that imply conditions that have been created or heightened by globalisation. Mechanisms such as economic interdependence, international trade, multilateral agreements, and international finance have been either enhanced or created by globalisation and have been used before the 1990s, therefore apart from sanctions, other tools of economic statecraft such as cyber-attacks or the transnational management of energy sources have appeared as additional means that states can use for coercive purposes.

Reilly defines economic statecraft as the use of economic resources by political leaders to exert influence in pursuit of foreign policy objectives (2013, p. 3). The author mentions that China's unilateral economic pressure to advance its strategic and diplomatic objectives is hardly unique internationally, as it has repeatedly politicized economic relations providing aid or refusing trade in support of broader strategic and ideological objectives (2012, p.12). Reilly's idea of sanctions as part of economic statecraft is accurate, as the application of these measures out of ideological or coercive reasons can be seen even before the 2000s. The United States for example, used economic pressure against Cuba and promotes the use of economic pressure against 'Rogue states'.

The case of China however shows different actors that are under a mixed agency, as state owned companies are related to the state but at the same time have their own agency as profit seekers. Therefore, there is a complex relationship between the sender (the state), the target country and the means, as Chinese companies that have international presence are mostly state-owned. The particularities of this complex relationship between the Chinese state and SOEs are explored in detail throughout the next chapter. Lastly, the reasons behind China's use of economic statecraft as stated previously are based on self-interest rather than on 'international law arguments'. This behaviour provides a new perspective regarding the concept of 'capabilities' which is normally related to military forces. In the past, China often used foreign policy to advance economic policy but now, Beijing is using its economic policy to influence foreign policy.

The importance of globalisation in increasing economic interdependence

In the current international environment, economic power in terms of investment, trade, treaties and partners in an increasingly globalized and interconnected world particularly since the 1980s, is of the main sources of influence. China, therefore, has demonstrated that military capabilities, as assumed by most mainstream realists, could be a secondary or less relevant source, as globalization also sets other conditions. China after its opening-up started to increase its presence not only locally, but also in economic and trade affairs. Yahuda (2011, p.181) claims that China is the main beneficiary of the spread of globalization and the attendant of rapid global changes that have turned it into a centre of international political economy.

In terms of international relations and the role of states becoming powers, a strong presence also implies more responsibilities and an increasing need for alternative means to achieve specific economic or political objectives. China's economic power has allowed it to design policy plans on the long term, predict outcomes and even create alternatives depending on the context, as the country has demonstrated that it has clear guidelines for resource management and objectives to be fulfilled in ten, twenty or fifty years. China has managed its economic growth and the gains it has received from its economic power to both continue its sustained development and to have reserves in case of crises or unforeseen problems, such as the recent trade war imposed by the United States. Kissinger (2012, p.536) explains that economic power is translated into economic capacity, which can lead to use resources for objectives related to statecraft, such as military buildup. China, to pursue its interests, has sought to expand its options to guarantee a stronger presence.

The formation of strategic alliances either through formal or informal bilateral agreements comprises a part of the path a state follows to increase its influence on the international system. This path can be achieved through territorial, political and economic expansion until the marginal costs of further change are equal or greater than the marginal benefits (Gilpin 1981, p.50), as the power of a state increases, it seeks to extend its territorial control, its political influence or influence the international economy. China's increasing importance on the global level brings more responsibilities but also a higher level of observance and regard to international laws and regulations. Since China has claimed its opposition to the mechanisms created by the West such as the WB because it 'entails political conditions', China has sought to create its own mechanisms and rules, such as the Asian Infrastructure Bank and the Shanghai Five.

Globalization of the economy has caused states to lose power (mainly related to the use of military force) to manage stable economies within their borders (Waltz 1991, p.62), therefore to manage globalization, leading states are likely to strengthen their economic influence over states on which they depend or are closely connected. China's actions on the multilateral level, through trade agreements treaties and coalitions (Shanghai Five), have enlarged its economic capabilities. This enlargement has placed China on the center of regional and global affairs, which in Waltz's Realist view, widens the range of a state's interests and increases their importance. In view of new rules created and promoted by China, countries that have defended and followed the rules created by Western institutions have expressed concerns and shown a wary behavior, as China's rules regarding transparency and legal regulations are not entirely clear.

Globalization has brought a series of challenges on the structural level for all nation-states but has also provided opportunities, particularly for China as economic relations have become the most important means for developing its internal industrial sectors and comprise the main source of growth, which has turned into one of the main policy priorities. China's presence and use of ASEAN and the creation of multilateral initiatives has developed complex networks where all its partners provide necessary goods and resources. Additionally, the context in which the country continued its strategy for economic expansion was favorable, as it made use of the difficult context in Asia caused by the economic crisis to develop and expand its market, to assure supply of raw materials and strive for the means and resources to satisfy its energy needs (Holslag 2013, p.95; Yahuda 2011, p.181; Yoshimatsu 2014, p.579).

Financial resources and trade: new sources of influence

Trade, economic relations, commercial partnerships and productive or supply chains form a complex relation of interdependence, as each of them plays a relevant role within economic exchange and its relationship with governments as regulators and policymakers. China has become the production plant of the world and it is unlikely that it will disrupt these economic arrangements crucial to its success, as since it is a large economy in constant movement, it is deeply connected with other countries for extracting raw materials, processing, transporting or producing goods and, targeting these countries as markets (Acharya 2014, p.66; Peou 2010, p.80).

Additionally, trade is permeating different economic, social and political agendas (Dent 2014, p.265) but intergovernmental cooperation keeps on being an obstacle to fully integrate nations into a common legal framework for trade (Grimes 2009, p.207). The creation of mechanisms such as the WTO or regional trade associations such as Mercosur, seeks to increase and give dynamism to economic exchange through the creation of legal frameworks in terms of customs and tariffs that allow countries to exchange goods and services more efficiently. Commercial exchange activities at the same time, has built complex networks of interdependence as it improves communication among nations and provides foundations for a common interest.

The difference amongst legal frameworks and regulations has become one of the major challenges for establishing partnerships and trade relations with China, as the government's interpretation of environmental standards and rules for banking, currency and loans are different to those in many Western countries, as shown and explained further in the research with the case of Mexico in detail, and others such as Myanmar, Congo, Angola and others where China's presence has had a negative impact in both environment and social spheres. Despite the increasing interest from many countries like Mexico to have a closer relation with China, these differences in regulatory frameworks and the interpretation of laws constitute an obstacle. Since each state seeks to satisfy its own interests, these differences are unlikely to change on the long term if the target country has a complicated process for modifying or creating new laws. The problem of interpretation and domestic laws as a factor that hinders economic statecraft is further discussed in the eighth chapter.

Economic growth for all countries not only China, can be translated into the improvement of quality of life and as a catalyst for development in quantitative terms but, in qualitative terms it can be regarded as a source for challenges or opportunities. Economic growth is connected to the concept of power politics, as good economic relations are not a guarantee for peace. The current problems between Japan and China, and South Korea and China illustrate that despite having a good economic relation, China presses on them economically depending on the South China Sea and THAAD matters, respectively. The case of China shows that there is a relationship between economic power and an assertive foreign policy, as increasing economic growth requires more resources and, if these are not available within the borders of the country, it is natural for the state to look for alternatives beyond its borders.

The importance of economic resources in this context relies on their nature as a source of power and as the 'raw materials' that underlie power relationships (Beckley 2011, p.56). China therefore uses trade, treaties, loans, infrastructure projects, and other financial instruments as its main capability to achieve its objectives or suit the agenda to its needs. The desired outcomes of these mechanisms however, depend on the context and the way they are employed. Reilly (2012, p.130) explains that China's capacity to use economic pressure should not be overestimated, as despite these measures being low impact and low risk for China, most of the country's massive trade surplus still involves processing trade or importing intermediate materials and exporting finished products. China like Mexico still depends on foreign direct investment and natural resources coming from other countries to continue its strategy of sustained economic growth. Therefore something now essential for China such as military capabilities, is closely related to how many resources a country possesses for either acquiring technology or improving its forces, therefore if economic growth stops or stagnates, military modernization can be halted. The next section discusses how economic capabilities can be used as the means for economic statecraft measures that go further from sanctions and the traditional, realist approach of the use of force.

What determines the success of economic statecraft?

The most important condition in economic statecraft is how apt the state is to apply economic leverage through different means, where capabilities are defined in terms of economic resources rather than on the use of force. Since nation-states have different priorities, varying objectives and different strategies or means to achieve their goals, tools of statecraft are also diverse and cannot be given agency or labeled as exclusive, as they depend on the context and circumstances. China as the sender uses its economic means through loans and infrastructure projects managed by State-owned companies with a clear advantage on the target country. The strategy and plan to use economic statecraft therefore, is designed and planned according to the circumstances in the target country. State-owned enterprises are an essential component of this strategy, as they serve as the means for the state to exert the plan effectively. These companies however, have their own objectives as profit-seekers but at the same time are subject to government control and policy ends.

Economic statecraft is shrouded with conceptual complexities, as it seeks to illustrate the means that a state could use to achieve its goals using a force distinct to the 'traditional' techniques (military capabilities). Baldwin (1985, p.16), Blanchard and Ripsman (2008, p.371), Blackwill and Harris (2015, p.20), Chan and Drury (2000, p.1), regard economic statecraft as a multidimensional concept that has been evolving throughout history. They consider that its definition is determined through its practical element rather than the theoretical one. Analysis in the current literature has many varied interpretations, as it has not been widely studied and tends to be situational. The concept has a more practical character, as the existing work is mostly related to economic sanctions and their utility in terms of impact. Economic statecraft applied to a country however, illustrates that domestic agents and circumstances are relevant out of the reactions of the former as the relevant stake-holders.

Blanchard and Ripsman (2008, p.373) explain that for realists, economic statecraft fails because political and strategic goals take precedence over economic ones, except when economic pressures are consonant with political ones or the sender's political demands are inconsequential.

In this view, the emphasis on political variables is pivotal for the calculus of policymakers. China has effectively combined economic pressures with political objectives with the case study, where the reactions from China towards specific actions (such as the visits of the Dalai Lama), have an economic dimension.

Success is important and a priority in economic statecraft, therefore the existing written work draws different typologies depending on the author, mostly illustrated through case studies related to sanctions and their effects. Baldwin's work gave the conceptual base for economic statecraft by illustrating the practical application of the term. Economic techniques of statecraft are often used to exercise economic power, but they may also be used to exercise noneconomic forms of power (Baldwin, 1985, p.24). The protests from China when the Dalai Lama is visiting Mexico come through an official statement from the Embassy first, and then through treaty or project cancellations.

Blanchard and Ripsman (2008, p.372), and Norris (2016, p.29) emphasize the importance of domestic political factors by explaining how they are influenced by the manipulation of the target state's economic calculations of powerful domestic interests. Success or failure of economic statecraft depends on the target state's level of stateness. This concept has four essential components: autonomy, capability (for decision making when encountering domestic opposition), capacity and legitimacy. Stateness is a measuring component of national unity in the target state and how this helps to counter, face or manage the effects of economic statecraft.

These categories matter, as in some of the nations where China's measures have not worked possess a strong sense of multilevel unity. Japan's determinant response by closing factories and cancelling projects during the 2012 anti-Japanese protests serves as an example. Domestic pressures and consequences brought by economic statecraft however, can determine or jeopardize stateness. This logic, according to Blanchard and Ripsman (2008, p.376), can be explained through the importance of domestic conditions and the type of regime.

Chan and Drury (2000, p.3), and Reilly (2013, p12) portray economic statecraft as a reasonable alternative compared to the use of force. States find it an appealing substitute to military force due to the costs it entails in terms of destruction and counter-productive consequences. This attractiveness relates to commercial and financial relations rendering states more sensitive to outside actions, therefore rising economic ties can be expected to have a positive effect on the willingness and opportunity to use economic statecraft. Naturally, the effectiveness of economic statecraft increases when the target country has built strong ties of dependency with the sender like the cases of China with some of its partner countries, like South Korea.

Economic statecraft can be damaging depending on the levels of interaction and dependency with the country exerting pressure. There is an obvious difference between the effects of a blockade or interrupting trade and the effects of a war but, when the target country holds a position of dependency or high levels of interaction, the effects can be devastating. Fuchs (2013, p.165) explains that with the rapidly expanding size of the Chinese economy, the asymmetry of trade dependencies between China and its partners is shifting in China's behaviour which allows the enforcement of political compliance among its trading partners to an ever-increasing extent. In South Korea, there has been a notorious decrease of flights from China to Busan, Jeju and Seoul affecting tourists and business people alike. South Korean airlines are also suffering the effects as China is the top destination for both Korean Air and Asiana Airlines. This comes out of the restrictions issued by the Chinese authorities and the ban of South Korea as a tourist destination, both reactions out of THAAD's deployment.

Additionally, these authors warn that due to the increasing networks of interdependence and the broadening of economic relations and networks, sanctions turn into an ineffective measure as diversification of partners is more feasible. The domestic dimension also matters during the process of sending or being the target of economic statecraft, as the purpose of it is to hamper the target country's economy and to redistribute income, status and influence among its domestic constituents (Chan and Drury 2000, p.4). In the case of China's impact on other countries in terms of positive and negative effects of its investment, cases in African countries or in Latin America prove that Chinese investment does not generate wealth or development on the long term for the receiving country. The beneficial share of these projects is targeted to China rather than to the receiving country so, except for political elites, the local people tend to carry the burden of negative effects.

China's approach shows a preference towards inter-governmental agreements targeted towards the creation of long-term local and reliable stakeholders. The sender's objectives determine the means to influence the domestic dimension, either by creating stakeholders through giving economic rewards to strategic sectors to continue engagement, or using other means determined by the context and the situation. Creating stakeholders in the target nation generates an 'appeasement dilemma' for the target country, as it gets to the difficult position of ceding or bearing the reputation costs (Chan and Drury 2000, p.8). Effects within the domestic dimension and economic interdependence bring a high possibility of collateral damage towards partner nations and population. Additionally, if the sender does not fulfill its objective, its reputation suffers. Economic statecraft can have additional effects when the targeted country has an important position in the value chain and strong partnership networks, as partners can also be affected through losses.

Norris (2016, p.14) and Nien-chung (2016, p.85) argue that creating stakeholders in the target nation is important within the process of economic statecraft. Norris (2016, p.26) definition of economic statecraft relates to the role of stakeholders, as the author defines it as a state's intentional manipulation of economic interaction to capitalize on, or reduce the associated strategic externalities generated by commercial actors who are subject to the state due to its role creating incentive structures. Therefore, from this point of view the state can influence the behaviour of commercial actors. The concept of 'externalities', refers to the relationship between economics and national security with a focus on the context and the environment variables around economic and trade activities. Norris (2017, p.199) defines externalities as the security consequences stemming from economic activity, where economic statecraft represents a deliberate attempt from the state to incentivize commercial actors to act in a manner that generates security externalities conducive to a state's strategic interests.

The complexity of economic statecraft on practical grounds relies on the nature of commercial actors that have an agency and seek to maximize their own interests so, the state must have good enforcement and monitoring capabilities (Norris 2016, p.32, Reilly 2013, p.4). Matters such as management, material resources, market presence and reporting relationship between the commercial actor and the state are paramount for success. The agency of state-owned companies as argued in the next chapter is problematic in terms of who is behind these companies either the government or a private entity. Chinese companies are assertive in terms of the strategy to be followed regarding how they want to get involved and what they expect to get from a specific economic sector. In the case of Mexico Chinese companies at least in paper, had the biggest share with other two Mexican companies in the infrastructure projects to be held in Mexico. The companies, out of policy objectives had clarity regarding profitable sectors (transport and energy).

Beijing's economic diplomacy therefore, through instruments such as bilateral trade, free trade agreements, investment, etc. has been employed to cultivate beneficial relations under the argument of economic development with 'like-minded' nations (Nien-chung 2016, p.86; Reilly 2013, p.6). The idea of 'like-minded' nations is discussed further in the next chapter through the convenience of the developing world as the main destination of China's economic instruments. Goh (2016, p.280) explains the problem surrounding the idea of 'like-minded' nations, where Chinese notions and practices of influence are contradictory or inadequate. First, there is a tendency to downplay the autonomous agency and domestic dynamics of weaker states, preferring to attribute their lack of acquiescence to false and even stereotyped notions. Second, there is an overlook of the connection between China's more benign modes of influence and the undermining effect of its incongruent or occasional coercive behavior on the same issues.

While using economic incentives in the developing world tends to be considered an accurate action and assumed to be profitable, empirical evidence that has also been explored by government reports (Horn, Reinhart and Trebesch (2020), shows that results can be counterproductive, as developing countries tend to have a complex domestic environment conditioned either by cultural matters like working habits, or political factors, such as instability. Therefore, the idea of 'like-minded' nations can be problematic. Dragon Mart that included Chinese and Mexican capital was expected to be welcomed by locals in the highly popular touristic city of Cancun. The project ended up being cancelled mainly for two reasons. First, people protested strongly to the building plans that implied destroying a natural reserve. Second and more important, the market was expected to sell Chinese goods, which flared up the feelings of local artisans and craft makers. China's objectives in building the market in that area or, investing in the train reveal that the main force driving these projects is the use of wealth to extend its presence in other countries to is benefit.

In view of the variables involved in China's use of economic statecraft, the current chapter addressed the theoretical debate around economic statecraft, abstract concepts (such as power) and the conditions for economic statecraft to succeed. The instruments and types of economic statecraft analyzed in this chapter help to conceptualize the practical dimension of this concept, but the use of case studies is necessary to understand the effects of the application of these instruments accurately. Economic statecraft techniques (like sanctions) require additional actors with an 'instrumental purpose' that design and implement them apart from the state and the government. In the case of China, the major carriers of economic statecraft are SOEs who represent China's use of foreign policy as milestones for both the internationalization of the Chinese state and for addressing domestic concerns, discussed in the fourth chapter.

Chapter 3

Research Framework: Why Mexico's case is a reference for other countries with a similar profile where China is using economic statecraft?

The case study presented in this research is very specific, but it provides a generic posture useful to understand China's position overall. Mexico is a non-traditional case in terms of its interactions and the posture it has with China, as compared to other developing countries, interaction and involvement with China has been limited and in specific cases (i.e. the high speed train) it has been unsuccessful and filled with controversies. In this research, there is an assumption of China a rational actor and a Realist power immersed within a competitive and complex international order that pursues its self-interest through foreign policy using economic means. The current chapter explores the methodological posture of this research (Grounded Theory), the profile of the interviewees and the type and relevance of additional sources.

The chapters addressing the theoretical debate around economic statecraft show that it has had different interpretations however evidence shows that it is a practical concept. Economic statecraft presents itself through its impact on the target country through losses and debt induced by the sender which looks to coerce the target for the convenience of the sender. James Reilly (2013, p.9) mentions that it is necessary to analyse further the impacts and effectiveness of economic statecraft therefore, although the economic instruments used to exert it vary, the nature and intentions behind it remain the same.

Economic statecraft has different abstract components, as it explores the implications of 'political motivations', the role of power and the parts involved (sender and target). In this research, China acts as the government which uses the size and power of its economy and the capabilities that gives it in terms of influence and inducements. China does this through control of key state-owned industries, which in terms of leadership and industrial policy remain firmly within government control. These are directed at a target (in this case to Mexico) which is later exposed to different kinds of attempted and real influence through economic means. The target or receiving country provides the practical perspective of economic statecraft, as it serves as evidence on the ground of the effects of its application.

The means and types of economic statecraft are discussed in the second chapter, and their effects and effectiveness depend on economic indicators, such as bilateral exchange and trade balance. Reilly mentions that size is the most important factor, as the degree of political influence generally increases with the asymmetry of the economic relationship. Focusing on the impact of economic statecraft in a country-by-country basis is important because not every country presents the same depth of relations with China. Reilly makes an accurate argument by stating that given China's economic heft, a minor shift in China's trade, aid or investment can have a massive effect upon a smaller, more dependent (in general, not only to China) economy.

The importance of studying the depth of China-Mexico relations and the importance of Mexico for Latin America and North America is stated further in the document through the sections of Mexico-China trade indicators, the implications of the vicinity of the United States, the reasons behind China's limited presence in Mexico, mutual misconceptions and the historical reasons behind this. The peculiar interaction between China and Mexico is largely determined by the actions, decisions and role of local stakeholders and constituencies, therefore importance of domestic actors as the variables that could either enhance or hamper the effectiveness of economic statecraft must not be overlooked. Economic indicators and depth of trade and diplomatic relations between China and any country in general, serve as the main argument behind the decision of using economic statecraft and help to measure the extent of its impact in the targeted country.

Additionally, in view of the preference of China to target developing countries as its major receptors of investment, loans and infrastructure projects, Mexico and Latin America have not been the exception on the matter. Therefore, the section addressing China's presence in Latin America helps to illustrate the political nature of China's economic and trade policies towards the region. In general terms, and except for specific projects, there is not a widespread presence of Chinese companies in Mexico, therefore outlining bilateral relations through analyzing deals between government and companies only, limits the scope of the research. The relevance of the groups mentioned below relies on the role they have in policy-making, their function as policy carriers and most importantly, its role as domestic stakeholders in either enhancing or hampering economic statecraft in Mexico.

The state is not the only actor involved in economic statecraft, as companies and government agencies comprise the major source of means for the government to implement it. Reilly mentions some examples of countries such as Zambia or Japan, where there are companies involved and government officials from different levels. The inclusion of academics helps to acquire a perspective that goes beyond the business and policy environments as they are non-state actors and can help to reveal the complexity of sensitive matters, such as the visits of the Dalai Lama. It is important therefore, to analyse the perceptions of these actors to construct common postures and assess the impact and effectiveness of economic statecraft. Grounded Theory provides the best means to complete this task and its relevance in terms of research philosophy, defined by Dillon and Walls (2006, p.4) as the development of knowledge and the nature of knowledge.

Grounded theory is attractive for this study, as this is a general methodology for developing theory grounded in data systematically gathered and analyzed (Strauss and Corbin 1994, p.274). This method also implies a constant comparative analysis and it gives space for the possible generation of theory through the gathered data, or it can also enrich the already existing one (Strauss and Corbin 1994, p.275). This approach, like many in social sciences, assumes the human status of the component that is being studied therefore they possess perceptions of their own actions or from the actions of other actors (Strauss and Corbin 1994, p.280).

The incorporation of perspectives is also subject to the interpretation of the researcher thus, grounded theory procedures allow directing the attention to the in vivo concepts that reflect the author's beliefs and concerns and, it also makes the researcher to skeptically review their own interpretations at every step of the inquiry itself (Strauss and Corbin 1994, p.280). The importance of having multiple perceptions of phenomena relies on serving as a connection of the multiplicity of perspective with patterns and processes that are specified through specific conditions and consequences. Awareness of subjectivity is important in this research because China's rise is a contentious and sometimes emotional issue that is subject and dependent on perceptions, therefore this theoretical perspective helps to alleviate this and show a pattern of differentiation between the agencies of subjects. The methodological approach is divided through its components on the chart in the following page.

Methodological Position	Application on this research
Epistemology: concerns the nature of what is studied.	**Interpretivism**: roles and actions of human beings as social actors determined by their immediate context and attempts to understand the world from their point of view (Dillon and Walls 2006, p. 8). China is perceived differently according to the role and circumstances of the subject. **Grounded Theory** (Strauss and Corbyn, 1994): Reality is built and explained depending on the perceptions of the subjects involved. Agency: In this research, agency is defined as the capacity to act and think independently from the subjects (government, business sector and academia). Academics, business people and government officials hold a different concept of China determined by their immediate context, interactions or experience with the country.
Ontology: Focuses on the making of knowledge.	**Subjectivism:** Social phenomena are created from the perceptions and consequent actions of those social actors concerned with their existence (Dillon and Walls 2006, p. 10) **Social constructionism**: It is necessary to explore the subjective meanings motivating the actions of social actors for the researcher to understand these actions. (Dillon and Walls, 2006, p.11). Semi-structured interviews to the actors involved in policy, business and academic environments represents the best means to explore the motivations behind their actions within the context of China-Mexico relations and the presence of economic statecraft. The subjects in this research have a different perception of China depending on their experiences, contact and knowledge of the country, where each of them represents a different agency. In the case of business people, companies constitute an actor that has several agents involved that are subject to regulations and policy created by other actor, the state. Perceptions from these actors therefore, provide a multidimensional character to the concept of economic statecraft.
Axiology: Arguments behind the study and its ethical considerations	Information provided by the interviewees, particularly in the case of policymakers can be subject to stringent lines dictated by the federal government therefore analyses coming from academics and business people draws a line between the official 'friendly' discourse towards China and reality. Studying China's foreign policy through economic statecraft provides a non-conventional angle that shows the influence of the state in economic policy and the use of economic means for policy ends with companies as carriers.

Interpretivism and interviews

Interviews as part of Grounded Theory imply that results are subject to analysis and interpretation according to the type of the interviewee and the information provided therefore Interpretivism comes into the equation because interviewees are social actors who base their actions depending on the meaning they give to reality or their context. During the process of analysing behaviours from social actors, it is essential to understand the meanings behind the rationale of their actions, where these meanings must be interpreted and analysed during the research process. The use of additional sources for comparing or complementing the interviews relies on intentions or rationale behind the actions of an individual can be similar to those of another individual, but they cannot be the same.

McNeill and Chapman (2005, p.1) mention that for sociologists, the importance of empirical research relies on the premise of an argument based on sound evidence as superior to false or limited evidence. According to the authors, people are active, conscious beings, who are aware of their context and react according to the situation so, one of the central features of social life are actions that come as a result of people's interpretations of the situation they are in (McNeill and Chapman 2005, p.18). One of the major focus areas of this research is how China's economic statecraft is viewed and interpreted by local actors so, if these social actions are to be analysed and explained it is necessary to understand them in the way that participants do.

Interpretivists believe that unique and trusting relationships should be established with those being studied so that a picture of their lives is constructed (McNeill and Chapman 2005, p.19). The need for empirical research from this perspective relies on the importance of studying social life in a natural setting, and describing it as it is, seen and experienced by those involved. Phenomena can be understood more accurately through actions and discourses that are not subject to constraints or dogmas imposed or determined by other social actors. Since this research requires information and expertise from individuals who are directly affected by China or who participate in policymaking related to China, literature produced in both academia and policy fields gains relevance as the major reference for framing this research.

Interviews show that facts and phenomena are interpreted differently by individuals therefore their actions depend on these interpretations. Interpretivism presents an empirical challenge, as the practical issue relies on the difficulty to find a causal regular mechanism to analyse accurately what people believe, know, think or feel. In view of the major role given to perception and interpretation, this research requires other sources additional to interviews that allow a further understanding around how interviewees interpret and understand their experiences with China. The use of government reports, media articles, and economic indicators can either enhance or debate the interview results.

Perception: A determinant factor within interviews

In this research, perception has a major role in the outcome of the interviews as interviewees focus and present different arguments depending on their background and their experiences with China. Perception is a natural trait of human beings that can be conceptualised through its scientific and biological character, or through the variety of results from human reasoning that range from how individuals regard and act to stimuli or phenomena to the nature and rationale behind their views. Perception in terms of Psychology, according to the American Psychological Association (2018) is defined as awareness of objects, relationships and events by means of the senses and includes recognising, observing and discriminating. Perception enables organisms to organize and interpret stimuli received into meaningful knowledge and act in a coordinated manner. This organization and interpretation involve a major process that includes not only neurological connections, but also a complex interaction of associating images, concepts, objects and stimuli that varies according to the immediate context of the individual.

Perception can also be analysed from the view of its impact and role in consciousness. James (1985, p.179) explains that perception implies consciousness of material things that could be more or less complete, or the name of the thing and its other essential attributes, or the thing's remote relations. In this definition, there are both psychological and philosophical components, as the author explores the role of association. The process of interpreting images, concepts, objects and other stimuli brings a stream of consciousness, where sensational and reproductive brain-processes combined is what determines the content of perceptions. The nature and relations of the object or stimuli present an analytical category that is rather related to philosophy than to the associative and cognitive processes.

Maund (2003, p.1) defines perception from both scientific and philosophical perspectives as process through which human being acquire knowledge of an objective world. The world in this context consists on physical objects and happenings that exist independently of humans and their act of processing the stimuli that surrounds them. In the philosophical context, there is an emphasis on the nature of the process and how knowledge is acquired. Perceptual experiences, defined as complex thoughts that have non-conceptual, sensuous components and non-sensuous and conceptual components (Maund 2003, p.209) comprise the major category of analysis. A conscious perceptual experience is an intentional activity, where there is an awareness of the person taking the sensuous component as a sign of the presence of something, such as a physical object or phenomena. The philosophical definition of perception emphasises the metaphysical and phenomenological aspects of objects and situations that human beings encounter in their surroundings, therefore the position of the individual who exerts the 'act of perceiving' exists independently to the object or phenomenon with its intrinsic metaphysical or phenomenological characteristics.

The concept of perception in the context of this research is defined as the viewpoints from the relevant actors that have a major role in the context of China-Mexico relations. Each of them defines and construct their concerns and views depending on their background and experiences with China, where in some cases they have been involved in more than one environment. In some cases, businesspeople have been involved in policymaking, and policymakers have been involved in business operations where China has been present while others are analysts. The concept provided by Jervis (1976) from this perspective, is related to how perception is framed and used in the context of this research.

In view of the different levels involved in policymaking and international relations and by extension applicable in the context of China-Mexico relations, Jervis (1976, p.15) focuses on an analysis problem, as there are different variables involved in the decision-making approach. In this research there are different levels of analysis that range from China and its impact on the world to China and its impact on Mexico and how this is regarded and managed from the different policymaking levels, particularly on the domestic level. Jervis (1976, p.16) considers that the three major levels of analysis that contribute to explain the actor's behaviour are the international, national and bureaucratic, where the context is also relevant, and outcomes vary according to the issue. In the case of Mexico, as explained in the chapters that address Mexico's international position, its foreign policy and domestic political environment, the three levels are interconnected and have an impact on the China-Mexico interaction and by extension, on China's economic statecraft.

Each actor involved in policymaking is constrained by their beliefs about the world and images from others (Jervis 1976, p.30) that can affect crucial decisions. Herrmann (1986, p.843) in the context of policy making, defines perception as a concept that describes the construction of reality in which an individual makes foreign policy decisions. Jervis explains that there are factors surrounding the context and the past experiences (past history) of the actor in question that determine the outcome of policymaking and decisions. Misconception from this perspective tends to be common and varies according to the actor as in some cases major decision makers such as politicians or ministers, tend to create self-images and mindsets through which actors justify their actions and decisions. The actor's perception, therefore, constitutes one of the immediate causes of his or her behaviour (Jervis 1976, p.30). In this research, the content of interviews reveals that actions, decisions and views from interviewees are determined by their positive and negative experiences with China added to their own knowledge. In a broader sense, the Mexico-China bilateral relation has never been characterized for being close or based on mutual understanding out of Mexico's distance and stereotypes of China that exist since the XIX century.

Jervis (1976, p.324) explains that observers usually overestimate the influence of the other's internal characteristics and underestimate the influence of the situation the other is in, an argument that applies to how China assumes the role of Mexico as the neighbour of the United States where the latter can impose its views up to the point of affecting domestic and foreign policy decisions of the former. Reality proves that the United States, as mentioned in this research by both interviews and sources, does have a major role in Mexico's policy but, this influence has a limit and depends on the context and issue in question. A major misconception from China for instance, is what Jervis emphasises in the context of international relations where decision-makers generally overestimate the degree to which their opposite numbers have the information and power to impose their desires on all part of their governments.

The importance of local actors that have independent actions and decisions shows that as opposed to China where decision schemes are centralized, Mexico presents a complex network of actors. Interviews in this regard show that interviewees, who belong or have worked in the same sector such as the Ministry of Foreign Affairs, have varied views from China that go beyond the official discourse. Jervis (1976, p.330) mentions that further complexity, and often illusory incompatibility, is created when the agent's home government, as well as the government he is dealing with, does not realize that he failed to convey the desired expressions. In this research, the concept of Mexico held by China as a developing country as explored further in the forthcoming chapters, is rather related to that held of African countries. The fact of China's economic statecraft facing domestic obstacles in Mexico concentrates on the role and reactions of domestic actors and that Mexico is a democracy where there is political alternation.

The last aspect applicable and relevant to this research is what Jervis (1976, p.380) conceptualises as wishful thinking, where desires and fears have most impact when perceptions matter least. In this research, views from Mexico towards China and vice versa are defined through wishful thinking in terms of what each country assumes and expects from the other. The forthcoming chapters explore how China frames Mexico through the win-win and mutual benefit discourses and its definition of a developing country while Mexico designs an image from China based on the narratives created from its limited interaction due to geographic distance and straightened by specific experiences from past history. Mexico-China relations, as explained throughout the fifth to the seventh chapter, have been subject to specific domestic factors such as the party in power and ties between Mexican policymakers and Chinese officials. The failure of China's economic statecraft from this perspective, is closely related to wishful thinking around how the Chinese part assumes that the Mexican counterpart is going to act, but ignores that the latter is also subject to scrutiny from other domestic factors such as business people.

In sum, Jervis mentions that there are additional variables that can modify the outcomes of perception. In view of this complexity, misconception has proved to be the common feature of perceptions in the context of international relations. Herrmann (1986, p.841) from this perspective mentions that the basic notion of core perceptions (like images of the opponent), affect policy choices is also the primary idea behind the operational code and other efforts to study the cognitive bases of policy making.

The relevance of using additional sources such as government reports, media articles and economic indicators relies on alleviating the effects of misconception, as these data can either confirm or contest the claims made by interviewees. Lastly, the relevance of using literature and knowledge from local experts also relies on exploring how China's economic statecraft and role as a world power are interpreted and regarded from countries that have been portrayed or analysed under conceptual generalisations, as discussed in the forthcoming chapters.

Research design

Hernàndez, Sampieri and Collado (2014, p.475) explain that Grounded Theory allows different possibilities for research design, so in view of the both empirical and theoretical nature of this research, it is possible to integrate these two into the different chapters. The authors explain that research design must be based through the major categories that provide information or data to understand the process or phenomenon to which the research is referred to. In the process of grouping these major categories, the essential argument must remain therefore, categories must be related and remain static even if other variables are involved. Following this proposal, the following chart shows the research design:

Grounded Theory Research Design		
Chapter	Type	Relevance
1. Economic Growth: The Foundation for China's Rise	Theoretical	Context purposes. Addresses general debates and literature about China's rise, assertiveness and political system.
2. The Gap between Theory and Practice: Theoretical Perspectives of Economic Statecraft and Related Concepts	Theoretical	Addresses debates around the literature about economic statecraft and its related concepts (agency, power, stakeholders and types).
3. Research Framework	Theoretical	Explains the research design and framework around the qualitative nature of Grounded Theory and Interpretivism. Addresses the interview process, classification of interviewees and rationale behind the case studies.
4. Profits and Policy: China's Use of State-Owned Companies and Outbound Investment as Actors of Economic Statecraft*	Theoretical	Addresses the nature and complexity of SOEs as the major carriers and entities of economic statecraft and the economic and financial instruments they use.
5. Distance and Economic Statecraft: The Case of Mexico*	Empirical	Addresses Mexico's position as a distant country, as the second largest economy in Latin America, as a competitor with the United States, and as the first challenge for China in the WTO and how the relevant actors involved in these activities interpret this.
6. Mexico's foreign policy: An obstacle for China's influence.	Empirical	Addresses Mexico and China's encounters on the official level as a precedent of a tense bilateral relation, where the role of being a developing country that shares the border with the United States is relevant.
7. Mexico's domestic environment: The implications of knowledge gaps.*	Empirical	Addresses Mexico's complex domestic environment that underlies all aspects of policy in the country. Emphasis on success of China-Mexico relations has been based on who is in power.
8. The cases of Economic Statecraft: A train that ignited Los Pinos and a Conventions Centre threatening natural reserves.	Empirical	Addresses the case studies, where discussions of chapters 5 through 7 are evidenced.

*Chapter that addresses gaps in the U.S. and European literature of economic statecraft by emphasising relevance of Latin American specialists and actors involved in relations with China.

The chart summarizes the major aspects addressed in each chapter for purposes of the components of the main argument in the thesis. Since the research question requires both conceptual discussion and empirical evidence, the thesis must incorporate both theoretical and practical chapters. In view of this, the structure of the thesis intends to: First, address the context of China's rise as a power and the implications of this, as economic statecraft comes from economic growth. Second, explore the reference used for the research through a theoretical framework, the interview procedure and reasons behind this. Third, discuss economic statecraft and associated debates, concepts and components that underpin its functioning and practical application. Lastly, from the fifth to the seventh chapters, the thesis explores the major elements of Mexico, particularly its economic and political environment as the major reasons behind China's failure to implement economic statecraft in Mexico. The eight chapter requires the information discussed in the previous chapters to understand accurately the cases explored.

Interviews

Semi-structured interviews present the best alternative, because by analyzing the perceptions of the interviewees, it is possible to build a new perspective in which complex domestic particularities take a leading role in determining the success or failure of economic statecraft. The case of Mexico-China relations is unique in this matter, as Mexico is a direct competitor of China as a manufacturing economy, has a clear division of public and private sectors, has put obstacles to China in the World Trade Organization (hereafter referred to as WTO), receives the Dalai Lama and has trade interactions with Taiwan.

Primary and secondary sources such as articles addressing Mexico-China relations and official and media documents are used in this research to complement or fill any information gap or unanswered questions during the interviews. The sources found in this research are mainly in English and Spanish, as the literature about economic statecraft, reports from the WTO, the World Bank (hereafter referred as WB), the New York Times or the American Enterprise Institute are mainly in English. Information regarding Mexico's local laws, legal codes, procedures and statements coming from interviewees and media reports from the cases of Dragon Mart and the High-speed Train (China's two major projects in Mexico) that appeared in different newspapers and magazines, were all in Spanish.

Literature addressing Mexico-China relations in English is non-existent, and as shown from the fifth until the eight chapters, all information is mostly in Spanish, such as the Mexico-China Centre of Studies (CECHIMEX) or university think tanks such as the Asia-Africa Centre of COLMEX (Colegio de México), specialists from ITESM (Instituto Tecnológico y de Estudios Superiores de Monterrey) and documents issued by the Mexican government. The sources that address China's rise (for example: Shambaugh (2013), Johnston (2013)) are useful for framing this research in the context of China as a power, but do not explore the impact of China on the developing world. The articles from Strauss (2012) for instance, serve as a point of reference of China's role in the developing world but does not provide further discussions of how China impacts each country.

Chinese sources were limited out of linguistic reasons, as except for the statements coming from the White Papers of 2008 and 2016 on Latin America that were available in English, information about the total amounts of Chinese investment in each country remains as confidential. The topic of Chinese state-owned companies (hereafter referred as SOEs) and their relationship and coordination mechanisms with the central government also remains as classified information therefore travelling to China to explore this matter in person entails a risk. Additionally, information coming from the central government of China is also problematic, as the data output undergoes a process of approval, which undermines its reliability.

Since this topic turned out to be sensitive to discuss for some diplomats and politicians in Mexico too, it is relevant to have alternative sources of information that can provide additional views and help to acquire important information that could not be obtained from civil servants directly. The case of the train is particularly problematic because it happened during President Peña Nieto's administration (2012-2018) therefore it is a recent issue and sensitive information such as the contract, remains classified by the current government. Information about the controversies around the cases addressed in this research, and actions and reactions from government agents and civil society remains open and accessible.

Sources suggested by interviewees such as articles and books were mainly in Spanish but in the case of one source (Araujo and Cardenal's book), several interviewees of the government sector mentioned that it constitutes a source that shows a picture from the impact of China's investment and economic instruments on the developing world but from the perspective of the local populations of these countries. Mexico's position as a developing country in front of China is favourable if compared to the situation of other developing countries where China has built a strong presence. In view of China's uniform approach towards the developing world (discussed further in this research), comparing Mexico's case to the African or any other Latin American country through a comparative approach, provides an additional argument for Mexico to restrict China's presence in the country.

Sample

Procedures and perceptions in each country vary according to their interests therefore, it is important to acquire a sample that allows an insight about interactions with China. For this study, the key actors, each with their own agency, are those involved in this process of policy making and interactions, namely academics, diplomats, and politicians. Additionally, perceptions of business people are useful, as they have a central role in economic activity and in policy. These are tight defined groups that have structured, visible links and interrelationships with each other, therefore they offer the most practical way of analyzing these interactions. Eighteen interviews that lasted between half an hour and in some cases three hours were made during the end of 2017 and the first six months of 2018. The quantity of people interviewed is due to the availability of participants, the domestic environment in the country during that time and most importantly, the limited number of experts in the subject of China-Mexico relations. In some cases, particularly the interviewees who belong to the policy-making environment chose to remain anonymous mainly for two reasons: the type of information provided, as nearly all of them were in China with government-related affairs and also because Mexico held presidential elections in July 2018. The interview procedures and consent forms were authorized by the Ethics Approval Committee from King's College London (reference number LRS 17/18-4826).

Why these groups?

There is an action called diplomacy that involves a language, a series of actions, and an infrastructure. Diplomacy comprises a group of people and institutions who manage affairs among states. Diplomats are relevant to this study, as their role of representing the state in an international organization or in another country makes them policy carriers and makers. Their direct experiences in building or managing interactions with China are critical to understand the awareness and impact of economic statecraft. Sometimes diplomats are also politicians, but the role of representing the state on a foreign country is different to managing domestic issues. Politicians are also important to this research because of their role in formulating foreign policy and decision making on the domestic level. Therefore, prioritizing or diminishing the importance of another country as an ally or an economic partner is a government-related task.

Government perception in Mexico favors China as an economic partner officially, but it contrasts with the negative views from the private sector. The number of interviews made was four diplomats who were in China and held relevant positions in the recent years from 2010 onwards in both China and Mexico and, three policy makers who worked for the Ministry of Economics, the Ministry of Finance and the Ministry of Tourism. Their views explored both the domestic and external perspectives regarding China's limited influence in Mexico, its role as a power that uses economic statecraft, suggested alternative sources, and most importantly, addressed Mexico's position as a non-conventional target.

Business people, who account for six interviewees of which two are from PEMEX (Mexican state-owned company), one from the banking sector, the other one is a CEO of an Asia-Mexico trade company, one who acts as the Head of the Division of Foreign Trade and Exchange from the Confederation of Industrial Chambers and one who works for oil and sustainable energy-related companies, are essential in this research mainly for two reasons. On the one hand, for their role as generators of economic activity and wealth, and on the other, governments can use these actors for domestic and foreign policy objectives through different means. Businesspeople interviewed in this research belong to different economic sectors, therefore the views expressed are not categorized depending on the sector bur rather grouped under specific categories, such as their perception of the role of Chinese companies as policy-carriers, the Chinese government as the manager of economic affairs and, its share of responsibility as the major support behind these companies to expand overseas.

Business sectors either public or private, work with the government not only to create employment and opportunities, but also to exploit the strengths of the country to achieve economic growth. Economic activity is a critical component and instrument of policy as companies also carry a country's reputation and identity through trade. Business people therefore, are key actors in foreign policy but in the case of Mexico, except for PEMEX, there is a clear division between the public and private sectors opposed to China where government and company interactions are closer.

Views from academics and policy or business consultants are essential to have a perception from two groups that observe and witness policies and its effects. Their perceptions give considerable accuracy and impartiality, as most of them are up to date with the latest events and give a specialized view on the matter. Therefore, there are five consultants of which one is a journalist specialized in finance and economics, two in oil and energy, one in China business practices and policy and another one is an economic analyst. Their views range from government and business affairs to China's management of its economy through state-owned companies and the role of the state in their guidance. Three academics participated in the interview, one of which is an academic and business man, another one specialized in China and one specialized in international trade and economics. There are cases with some interviewees who have been in both the private and public sector therefore their views have also helped to understand the complexity of China-Mexico relations.

The differences between these groups make semi-structured interviews suitable, as it is possible to find new points to discuss during the process. The proposed set of questions is not stringent, as during the process of the interview other matters were raised and gave way to further discussion of the same question or, raised a topic related to the question. These interviews are also intended to emphasize the differences among the agencies held by each of these actors, as economic statecraft is not an entirely top-down process.

China's increasing assertiveness is a result of its rise and it is an ongoing process therefore the interviewees drew from some historical events from that time to contextualize their opinions. Additionally, due to the nation's planning on the long term, it is possible that previous events have a direct correlation with the current behavior of the country. In Mexico there are stark differences between concerns and perceptions of China from the government and the private sector. These issues present two contrasting angles on how to deal with a China that has a greater influence, therefore the utility of Grounded Theory relies on a comparative approach of perceptions around China as a sender of economic statecraft, the domestic stakeholders in Mexico, and the effects of China's economic instruments on the receiving country.

Chapter 4

Profits and Policy: China's Use of State-owned Companies and Outbound Investment as Actors of Economic Statecraft.

China's investment strategy is a note-worthy aspect that must be included in this chapter due to the complexity of the agencies from all the parties involved in economic statecraft, as it is normally regarded as a top-down process. This chapter also addresses briefly China's 'Going Out' strategy, where state-owned companies are encouraged to look for profits outside of China and turn into the appropriate carriers of economic statecraft. The use of state-backed loans has become a major source of influence and of dependency from developing countries with China so, one of the sections explores the use of this instrument and explains the inconveniences on the long term for the receiving country. The presence of State-owned companies as the major players of China's overseas strategy is addressed in three sections of the chapter, as they have their own agency as both government-related entities and profit-seekers.

The reporting relationship of SOEs however, has turned out to be a major concern not only for the receiving country, but also for China as there is a lack of surveillance from the government to these companies and their activities overseas. The role of SASAC (State-owned Assets Supervision and Administration Commission of the State Council) as the major manager of state-owned companies from this perspective seems to be reduced to an administrator of these companies in the stock exchanges rather than a regulator. The preference of China for developing countries as the major receptors of its investments is not accidental as there is tendency to downplay the importance of domestic actors within these countries therefore it is essential to devote a section that addresses the particularities of developing countries, why they are strategic for China and how this is perceived at least in Latin America, the region of the case study, as Mexico is part of this region and evidence shows that China is applying a 'one size fits all'.

The role of China as a top investment and economic actor

China's role in the developing world can be interpreted and seen differently according to the country, and while there are common characteristics amongst countries that belong to a specific region, palpable differences comprise a determinant factor for economic statecraft to fail or succeed or in summarised accounts, determine why China has been more successful in Venezuela and Ecuador than in Mexico. The interviews in this research found in the forthcoming chapters, prove that the role of companies and enterprises as the major carriers of economic statecraft does not imply that these actors lack agency or an absence of own objectives out of their position as policy carriers. Gong (2017) for instance, explains that to determine the success or failure of China's economic statecraft, it is crucial to understand the intentions behind it.

In its role as a top economic actor, China has included businesses, companies and enterprises within its strategy for growth and internationalization. Their relevance relies on their importance as the main generators of wealth and opportunities for the people so the state bears the responsibility of providing the means for these actors to carry out economic activity and is essential for growth. The agency of these companies as profit seekers however, should not be overestimated or regarded as mere means of economic statecraft. The nature of companies regardless of being state or privately owned, justifies why China does not use aggressive strategies such as permanent or long-term bans of goods and services against the target countries, as companies cannot bear losses on the long term. The use of economic statecraft therefore, cannot be extended to long periods of time, as companies do not possess a wide margin of utilities (or subsidies) to be destined or used to compensate losses for long periods of time.

Reilly (2012, p.125) mentions that China uses low-cost, low-risk mechanisms to signal dissatisfaction, increase the costs to those who take undesired actions and at the same time, assuage domestic criticism while not undermining broader economic and diplomatic interests. The case of China's bans after THAAD towards Korean tourism by decreasing the frequency of flights to South Korean cities, affected the profits of Asiana and Korean Air and the number of Koreans travelling to China (Asiana Airlines 2017, personal communication, August 23). Added to other subtle measures expensive for the target country, such as forcing Lotte stores to undergo inspections in China, these actions intended to reverse the Korean government's plans by targeting the domestic business sector, which is a relevant stakeholder and has a major role in the country. China is aware of its dependency towards external markets and its importance within the value chain therefore, selective trade bans can disrupt these complex production chains, chasing investors to alternative manufacturing locations. There is a question around costs and benefits so, Chinese leaders can ill-afford to undermine their export driven manufacturing sector amidst global economic uncertainty (Reilly 2012, p.130).

In view of the complexity surrounding the implementation and designing of an economic statecraft strategy, the government has a pivotal role in China regarding management of foreign direct investment and of overseas operations from companies, particularly state-owned. Wenbin and Wilkes (2011, p.2) mention that twenty-six government agencies are involved in the policymaking processes, where the State Council, the Ministry of Commerce, the State Administration of Foreign Exchange and the National Development and Reform Commission have the task of policies to be coordinated with other existing domestic objectives. The strategy used for state-owned companies and outbound investment is discussed below.

China's 'Going out' Strategy: Policy and Profits

Overseas direct investment is part of this highly bureaucratic process and is targeted towards the fulfilment of the needs within the domestic market. Processing, trade, resources extraction and project contracting are highly encouraged industries (Wenbin and Wilkes 2011, p.8). Chinese firms look for other firms that are known and established in the target country to reduce transaction costs and to acquire a part of the market and domestic knowledge from where the firm is based. In terms of cost-benefit, the acquisition of overseas firms that have been established already or that have built a reputation for many years, represent an ideal type for Chinese SOEs. Companies that have a long history therefore, such as IBM o that were facing losses or being near to bankruptcy such as General Electric Appliances also represent a suitable opportunity.

Rui and Yip (2008, p.213) mention that Chinese firms strategically use cross-border acquisitions to achieve goals by obtaining strategic capabilities to offset their competitive disadvantages and leveraging their unique ownership advantages. State-owned companies that are resource oriented are not the only cases that have sought overseas expansion, as non-resource companies seek expansion out of internal transformation for competitiveness purposes, whilst large or small public share companies expand to serve a corporate strategy or shareholder interests, or entrepreneurial ambitions. China's strategy of overseas acquisition has targeted companies that have created technology, exploit natural resources or dedicated to energy industries out of both profit and policy reasons. In the case of profit, state-owned companies need to increase their competitiveness and efficiency, and at the same time, they need a base to create their own capabilities of research and development and owning company assets that possess intellectual property.

Since overseas expansion is closely related to policy areas (construction, energy, finance, technology and others), these companies have incentives and support from the central government to fulfil their activities. These incentives are an area of major concern not only in the case study but also in other countries where apart from subsidies, there have been additional reservations related to anti-trust and national security concerns out of the blurry agency of SOEs and the participation of both SASAC and the Chinese state. Examples such as Belgium with the case of Eandis being purchased by State Grid, France with the case of EDF (Electricité de France) and China General Nuclear Corporation, and Germany with Midea acquiring Kuka (a robot- making company), illustrate that some of the countries receiving China's investment regard SOEs as an instrument of the state and not only as profit-seekers.

Added to financial instruments such as loans and subsidies, there is a strong support for companies to explore resources overseas, particularly those that are short in supply at home and, firms are also encouraged to use foreign intellectual property resources to establish research and development and design operation centres overseas (Wenbin and Wilkes 2011, p.7). Buckley, Clegg and Cross et.al. (2007, p.503) add that overseas direct investment is also targeted towards asset and market seeking as well as natural resource endowment. There are specific aspects of China's economic foreign policy that are also targeted towards solving a problem at home, such as Railroad Diplomacy where the export of materials is intended to address overcapacity.

State-owned companies as inferred by the 'Going Out' name therefore, venture outside of China for both profit and policy reasons, as on the one hand, they need to be more competitive and on the other, they serve as an extension of China's presence overseas. In most cases of economic statecraft, the presence of these companies where the government is the major source of management and funding is a common element in many of China's projects and investments throughout the globe. In the case of Mexico, the failed high-speed train and the dam of Chicoasén have the presence of two major state-owned companies: China Railway and Sinohydro.

There are additional examples that prove that China uses state-owned companies and their subsidiaries as part of its strategy of internationalisation not only in Latin America but also in Asia, Africa and Europe, for instance there is the case of Ecuador that has several energy and infrastructure projects that all have the presence of state-owned companies or their subsidiaries, for example: China National Petroleum corporation and Sinopec both state-owned, participate in oil exploitation projects throughout the country, then there is a bridge built by China Road and Bridge Corporation, a subsidiary of China Communications Construction Company both related to the government, and Sinohydro is also building roads in the country, among others.

Loans for Resources

The shortage of natural resources in China represents a domestic priority that is also targeted through foreign policy. China has presented different alternatives to satisfy its demand for natural resources, and in this case loans from Chinese banks represent an alternative for developing countries. Loans have a clear component of economic statecraft and they are normally destined to infrastructure, energy, mining projects and commodities and payment rates are normally higher than the ones offered by the market (Girado 2015, p.4). There is a commercial and policy interest behind loans although the former results in the latter, as the government is also interested in expanding opportunities for both commercial and policy banks for expansion overseas. Additionally, China is also gaining considerable leverage through these loans as opposed to the WB and the IMF, as there are no 'policy conditions' in paper and because of the apparent convenience in terms of interest rates.

Horn, Reinhart and Trebesch (2020, p.2) show that with banks as entities, there is a problem regarding the origin of the funds as since more than 70% of banks in China are either owned by the central or a local government, these banks cannot be considered as purely private and commercial compared to the nature of banks in other countries as purely private entities. The second chapter explored and mentioned some of the joint funds between China and many countries, where financial resources are poured and stored but, in most cases, China tends to be the largest provider of funds giving it leverage on decisions and operations. The Asian Infrastructure Bank where China is the major source of funds for instance, is a good example or, these overseas loans being provided by policy banks such as China Exim Bank instead of private banks.

Gallagher (2015, p.101) explains that interest rates are closer to commercial finance rather than to development finance and, they possess a lower level of risk because Chinese banks are backed by purchased equipment and commodity loan arrangements and the government's capacity for retaliation in case of default. China has two advantages in return of these loans, the first is the low rates of interests that make them attractive and, the second is the possibility of expanding influence and soft-power by offering loans to countries that could not afford them otherwise or form other lending institutions, such as the WB.

The risk level of debtor countries, however, is not underestimated by China, as these loans can be tied to equipment purchase requirements or oil contracts (like in the case of Venezuela, discussed later) to reduce risk (Gallagher 2015, p.121). The use of both loans and investment as instruments that turned China into a major donor of development projects has been increasing since Xi Jinping started his term in 2012. Numbers show that China's global investment from 2005 to 2011 accounted for 547.67 billion USD, whereas from 2012 to 2018 with Xi Jinping, it rocketed to more than twice the amount with 2007.75 billion USD (American Enterprise Institute, 2019). In terms of money moving outside from China through banks and state-owned companies to other countries, there is evidence that Xi Jinping has pursued a rather aggressive and straightforward strategy of internationalisation.

China's state-owned banks represent the means to acquire these loans and create financing plans according to government guidelines and the cost of infrastructure projects. Araujo and Cardenal (2011, p.131) explain that China's banks are more focused on geostrategic interests rather than purely commercial objectives. Policy banks such as China Exim Bank, China Development Bank and China Agricultural Bank constitute a means of diplomacy that seek to guarantee the supply of natural resources on the long-term and prop up relations with countries that are within China's interest. Evidence in the case of Mexico shows that the high-speed train was going to be financed by the China Exim Bank, and in the case of the Coca Codo Sinclair programme in Ecuador for building a dam, the credit was given by the China Development Bank.

China's Exim Bank presents most of the convenient plans for loans and financing, as it is the only Chinese banking institution capable of granting concessionary loans and export buyer's credit. These financial instruments, labelled as help and cooperation for developing countries, are loans with a low interest rate and convenient plans for repayment. The report addressing the controversy of the high-speed train issued by the Chamber of Deputies in Mexico for instance, explored in the eighth chapter, states that financing plans from China Exim Bank appeared as competitive and convenient.

The practical problem of these 'repayment conditions' is that debtor countries are subject to either pay with natural resources or give concessions of these on the long term. The use of natural resources as the means of payment ends up being more expensive, as the debtor must carry the burden of additional costs such as extraction, processing and packaging of these resources to China. Countries that have used China's loans such as Argentina or Congo, end up with a larger debt than the one intended to be covered. Venezuela in Latin America mentioned later in this research in the seventh chapter, represents a suitable case that illustrates the inconvenient side of these debts.

Businesses and companies as policy-carriers

The section above gives an overall perspective about China's overseas investment and gives an insight about its complexities such as the nature of SOEs and the role of the government behind them. Businesses and companies in an orthodox sense are the generators of wealth, starting points of economic activity and representatives of their respective countries overseas. The interviewees mentioned that these actors have their own agency but although they pursue their own interests, they can also serve as policy carriers as they have embedded characteristics of their countries of origin.

The role of companies in the context of China as generators of employment and wealth is also an important component within China's strategy of economic statecraft, as the creation of employment and wealth has served as one of the main cores of growth and a strong base for the Party to strengthen its legitimacy. The division of public and private sector in terms of the actors managing companies and providing employment presents a different character in the case of China. Regardless of the origin of their capital, most companies in China have a relationship with the government, as their management includes at least one member that is affiliated to the Party. Chang and Jin (2016, p. 8) explain that in the context of a company whose equity capital is invested by the state, there are three major groups of state-owned companies: wholly state-owned companies where the State is the sole owner, state-controlling enterprises with many possible shareholders, including private individuals but under state control and lastly, companies where the state has presence but not significant enough to control the firm.

The major players for economic statecraft, as shown in the case of Mexico and other examples throughout Asia, Africa, Europe and Latin America tend to be of the first and second types. Therefore, there is a close relationship between economics and security, as providing an international environment that is conducive to China's continued economic growth and delivering it to society depends heavily on economic performance. Globalization has also increased capital mobility that it has fundamentally changed the terms on which private actors can engage the state to the extent that state policies comply with dominant social institutions and interests (Nien-chung 2016, p.61).

Economic stability is closely related to reducing the sources of threat to the regime and, since a stable international environment is also essential for economic growth, economic statecraft is internationally oriented, as it encompasses the scope of state actions taken to manipulate economic interaction and the security externalities associated with that economic interaction (Norris 2017, p.200). If a state has the capabilities to regulate its immediate environment for its benefit, then it increases its possibilities to exert pressure and have a major influence. China has established mechanisms around its immediate neighbourhood through trade or multilateral organizations such as ASEAN to enhance its influence and, additional initiatives such as Belt and Road and the Silk Road, it seeks to expand its sphere of control to fit its own objectives.

The instrumental use of economics serves as the enabler for China's capabilities to pursue priorities by employing all means of national power, such as identifying diplomatic efforts designed to advance economic goals (Norris 2016, p.21). China turns its foreign policy into an additional instrument that enables it to design strategies that go further from the traditional diplomacy where states interact with one another in different contexts, as China's economic capabilities result in an advantage that has the possibility of putting the counterpart in a position of disadvantage. This instrumental application gives economy a 'political' character, where the political economy of the state turns into a dynamic process of complex interactions in which multiple actors with different organizational characteristics and the public-private interact with one another to produce a wide range of results (Nien-chung 2016, p.61). Since China still has a state-led economy model, it is more likely to have the presence of the state in foreign policy decisions concerning operations and objectives of international trade, as opposed to Mexico or the United States where the private sector makes its own decisions for overseas operations and strategies.

Norris (2016, p.18) accurately says that even if the direct, classic mercantilist power of the state to dictate policy to its private sector actors has diminished under a more liberalized system, the state still possesses enough power to influence and generate incentives or the private sector to behave in ways that suit the state's interests. In some cases, companies and businesses are the starting point for either approaching other country or even establishing diplomatic relations as establishing economic relations with a company based elsewhere can enhance government cooperation. Commercial actors in the context of economic statecraft are entities that carry out international economic transactions often by multinationals.

China's state-owned companies have the capabilities of expanding their operation overseas either themselves or through their subsidiaries and depending on how the receiving country deals with these entities, these companies enhance their possibilities for further internationalisation. The state-owned company Sinohydro for example, has created its own branches in Costa Rica and in Mexico therefore its operations can expand further to the north or south of the continent. States in a strict sense, do not conduct most of the current international economic interaction but in some instances, states may directly engage in economic transactions as they formulate trade policy and define the conditions under which firms operate (Norris 2017, p.199).

Norris (2016, p.11) and Reilly (2013, p.2) emphasise the importance of trade activities conducted by commercial actors who carry out international economic transactions therefore, the state from this perspective, must work through agents with specialised capacity to conduct the activity that will lead to the desired outcome, as state control is the source of economic statecraft. This influence on commercial actors varies and it indicates when the state can control or direct the behaviour of economic actors, typically through the shaping of the economic actor's incentive structure. In the case of China's state-owned companies and as shown in the forthcoming chapters, one of the major issues for the receiving country and main enhancers for successful economic statecraft is the presence of government support through subsidies. These agents and the state have a set of preferences that can be alike or entirely different, but thanks to the presence of party committee representatives and a major share of government support through capital or subsidies, profits tend to be a secondary priority for SOEs overseas.

Economic statecraft focuses on the state, the economic actor and the relationship between the two, where state control is the dependent variable. Since economic actors conduct most of the interstate economic activity, the state's ability to control and direct their behaviour is a prerequisite for economic statecraft (Norris 2016, p.24). These actors serve as agents who have a specialized capacity to conduct the activity that will produce the desired outcome. Companies have their own objectives in the receiving country drawn by profits but out of their nature as state-related entities, they are subject to government policy guidelines. Economic statecraft occurs when the state seeks to generate strategic consequences by influencing the behavior of commercial actors using incentives to make commercial actors behave in a manner conductive to the state's strategic objectives (Nien-chung 2016, p.132).

Commercial actors serving to achieve the objectives of the state has three important implications from the structural perspective: The assumption of the state as the actor who ultimately drives the strategic outcome; the complex relation between the state and the firm in a modern and liberalized economic context; and it questions to what extent firms and commercials actors enjoy a degree of independence (Norris 2016, p.15; Reilly 2013, p.12). The number of agents involved in economic statecraft is also determinant, because if the market is fragmented and there are multiple state actors involved, managing the operation turns complicated. The case of Mexico with the high-speed train shows that the more agents involved in the operation, the hardest to manage the operations of state-owned companies according to policy guidelines.

How do state-owned companies expand overseas and who manages them?

In terms of the strategy used to establish an SOE overseas, acquisition represents the preferred means by companies to expand their operations for different reasons. Rui and Yip (2008, p.216) mention three: a different institutional environment, pressure coming from foreign companies entering China and most importantly, for catching up capabilities or acquiring new ones. Acquisitions and joint ventures are not straightforward, as they are also determined by the legal framework of the country where they are based. Acquisition is a process that entails studying the target country, lobbying efforts if required, a finance plan, legal and institutional arrangements and then a process of transition to the new owners that could take many years. Legal and institutional arrangements can turn into an obstacle for Chinese companies therefore, addressing or seeking how to manage these is an essential component within the acquisition strategy.

Oviedo (2015, p.5) gives an insight to the strategy followed by most Chinese state-owned companies. They tend to fill or take advantage of 'legal gaps' found in domestic legislations or existing regulations. New or substantial investments are poured into national or transnational businesses or companies with a settled presence and infrastructure. Companies, therefore, can either purchase assets, participate in contracts where the government is involved, or in biddings. In the case of contracts with governments, the main condition is a Chinese company as the main project planner, and the use of Chinese materials, which comprises the starting point for pursuing a more powerful strategy and consolidating their presence. In most countries key sectors have a specific legal framework for joint ventures and acquisitions and are either supervised by the government or authorities have a major decision vote on the matter. During the interviews, this point was raised by both lawyers and those who are involved in important industries, such as oil and energy.

Roldan, Castro, Perez et. al. (2016, p.81) explain that the logic underlying these investments is a heavy relationship between the company and the state, therefore these decisions are strongly linked to political objectives or interests from business people to either enter to the important circles of the Party or improve their current position. The presence of government officials in these companies implies that strategic and corporate interests merge and complement each other. Additionally, Girado (2015, p.8) mentions that state-owned companies constitute the frontline of company internationalisation in China. In general, they arrive to other countries with inflexible proposals, such as corporate investments integrated in a single entity, cheap credit plans and other benefits.

Peng (2012, p.97) mentions that it is essential to pay attention to the underappreciated role played by the home country governments of multinational enterprises as an institutional force and to the challenge of going abroad in the absence of significantly superior technological and managerial resources. There are other practical problems that arise from these acquisitions due to the different agencies involved in the process, for example, the blurry character of an SOE as a private entity or as a government. Zhang (2012, p.810) mentions that large SOEs are managed and supervised by ministries with direct responsibilities for the policy are of interest, therefore the government assumed the dual roles of both asset owner and regulator.

Since the top posts of these companies are controlled by the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) decisions are partially managed by the central government so, there are serious implications to the functioning of the company and for outsiders involved with it. First, there is an obvious incentive to follow government guidance, and second the extent to which the central government influences the company and controls executives casts a long shadow on SOEs (Zhang, 2012, p.815). Additionally, political agendas are not always aligned with market incentives and political interference from the central government by determining inputs and outputs causes a serious agency problem that also hinders the capacity of the company to function effectively.

The presence of government officials or personnel who is related to the party inside the top posts such as the supervisory board or the management office, of state-owned companies evidences that these entities are subject to government influence and therefore, appropriate as policy carriers. For example: Sinohydro is part of Power China, where the former is a subsidiary. Sinohydro has chief executive, directors and vice-presidents, but in the case of Power China, alike other large state-owned companies such as China Railway Construction Corporation, have the 'Party Committee Secretary' and the 'Party Deputy Secretary' as the top post inside the corporate hierarchy. Morck, Yeung and Zhao (2005, p.10) explain that the Party Secretary has control over the board of directors, therefore they possess the actual corporate governance power. Managing of corporate governance therefore, implies that they can fire the chairman and look after companies fulfilling policy guidelines, as the party committee can overrule the decisions from the company's CEO.

Governments in general are not expected to be business managers or market regulators, as their function is related to creating the adequate policies for allowing companies to provide people with employment and enhance development. The problem with China's state apparatus is that it seeks to create companies, manage them and provide employment to the people, tasks that add up to national security, foreign policy and managing domestic affairs in general. History has shown that in the cases of countries where governments seek to manage everything within its borders ends up being costly, as it encourages corruption, cronyism and monopolies. China's SOEs are neither competitive nor efficient as Miranda (2018, p.24) mentions, in market economies governments do not control or manage the markets for the benefit of domestic producers. SOEs as stated previously, are entitled to benefits coming from the central government such as subsidies and support through policies for their overseas expansion.

There is a clear legal void and an agency problem generated by the presence of the central government in SOEs, therefore it is necessary to assess whether the SOE concerned is an independent economic entity or whether it belongs to a wider economic group including other SOEs over which the Chinese state exercises decisive influence (Zhang 2012, p.821). Acquisitions and joint ventures can be profitable and increase the competitiveness of the SOE, but the country where any of the two is based faces a potential problem if the SOE has a major participation in a key sector of the local economy. This agency problem increases the possibility of a foreign government controlling a key sector and, since companies and business are essential as the generators of economic activity, then that government could hold a strong position in the country's policymaking.

Reporting Relationship between SOEs and the Government: Implications for the receiving country

The previous section stated that the state as a business and market manager is rather complicated on practical grounds as the effective implementation of an economic statecraft strategy also depends on the means used by the sender and the stakeholders within the target country. Therefore, if the state uses more economic statecraft agents of what it could manage, implementation turns complicated, and moreover if the target country also has other agents that could hamper, diminish or prevent effective implementation. The use of SOEs however, reduces the problem of having many actors involved in the strategy as its reporting relationship and accountability is targeted towards the state.

Reporting relationship therefore, is important in determining the agency of the commercial actors, as the nature of ownership and management arrangements and financing structure determine the involvement of the state in the company. A firm whose managers are directly appointed by the government is prone to be controlled as opposed to a firm where managers are elected by private stakeholders. Additionally, if the firm relies significantly upon state resources instead of private stakeholders for its financing is more likely to follow the preferences of the state (Norris 2016, p.33). In business and finance operations, entities that hold the resources tend to hold a major share of influence within a company's decisions, from this point of view, Chinese SOEs are accountable to the state rather than to any other entity.

The cost and benefit relation between the commercial actor and the state is not straightforward, as it depends on other factors. For instance, the state has a better opportunity to direct the behavior of other commercial actors when it is acting in a unified manner, as it can leverage its capabilities even under highly competitive environments may rise the relative value of such state beneficence as firms look for any potential source of competitive advantage, and in some cases, this can spell out success or failure for a firm (Nien-chung 2016, p.135). The role of the state relies on providing incentives for the firm to cause security externalities for foreign policy objectives. These 'incentives' are subsidies to these SOEs in most cases of economic statecraft, as companies cannot operate by moving on a wide margin of losses on the long term if there is not an additional source that compensates these losses.

In many countries there is either a strong bond between the state and the private sector or there is widespread presence or ownership of the state in the business sector. In the case of China, as Blackwill and Harris, (2015, p.13) and Reilly (2013, p.4) explain, state-owned enterprises (SOEs) make the largest purchases and overseas investments at the direction of the Chinese government, often with geopolitical objectives and conditions. In the context of China-Mexico relations, all Chinese companies involved in important infrastructure projects are SOEs. Although the Chinese government has interest in big Mexican companies, all are privately owned. These opposites as discussed further in this research, give way to constant misunderstandings.

Geographic location and the placement of firms is also an important aspect within China's overseas investment strategy and an essential component within the 'Going Out' policy discussed earlier. Gong (2017, p.6) explains that through territorialization, China's strategy of segregating dissimilar industries while consolidating similar ones into large swathes of land promises economy of scale and efficiency also, it allows companies to obtain land concession for projects through agreements. There is strong question that remains regarding how the activities of these companies are supervised and regulated overseas.

The largest SOEs that expand their operations overseas, as stated previously in the chapter, are subject to a complex bureaucratic control and to regulatory environment that is mainly top-down. In the western business sphere, it is common for shareholders and stakeholders to hold the CEO and those around this figure accountable for the performance of the company. This procedure however, does not apply to a Chinese SOE, as they are picked by the Party and therefore are subject to less scrutiny and can remain in the position with fewer accountability requirements (Gong 2017, p.12) so, in the event of a failed investment, there is no supervisory body able to penalize mistakes or negative outcomes from decisions.

Yeh (2016, p.279) explains that SOEs represent a more complex mix of commercial and strategic objectives than many multinational investors therefore they enjoy strong competitive advantages both at home and abroad because political and economic support from the state lessens their operating and investment risk. These companies are also driven by commercial interests but also comprise a part of the state apparatus as they have become a part of the strategy for the internationalization of the Chinese state. The 'Going Out' strategy from this point of view, is also a process through which the Chinese state itself is being made entrepreneurial, territorialized and rescaled (Yeh 2016, p.280), as the strategy also helps these companies to become competitive, address overcapacity and increase the exchange of goods.

The impact of actions and decisions coming from SOEs in developing countries represent a collateral effect of China's economic statecraft, as in some cases problems between Chinese workers and locals, environmental degradation and abuses have been severe. Local governments bear the largest share of responsibility in regulating and avoiding these problems but, as Araujo and Cardenal (2011, p.114) explain, since SOEs combine both government and private actors, the company enjoys immunity to some extent.

If investments and projects are important for the country, local authorities choose not to address these problems, which enhance anti-Chinese sentiment in the receiving country. The case of China Railway associated to the Mexican consortium headed by a close friend from President Peña Nieto for building the high-speed train would have implied impunity for any of the consortium members on the long term, as Mexico's elite shows a tendency of protecting its members and their associates. There are other cases such as in Kenya, where local workers have reported that their Chinese bosses incurred in acts of discrimination. Since China's investment is important for the African country, reports state that the government has not targeted this problem effectively (New York Times, 2018). The impact of China's investment in the receiving country is addressed in the fifth and sixth chapters, as the presence of China has been received with reservation and in some cases it has developed Sinophobia sentiments amongst the local population.

China, through the behavior of its firms also provides a different understanding of foreign direct investment strategy, as formal or informal state direction over firms is likely to generate a signature in the locational pattern of outward investment that cannot be predicted by the general theory, which assumes that firms are profit maximizers. This 'special firm character' gives the Chinese case of economic statecraft a unique character because companies are included in a government strategy and are willing to undertake losses to accomplish the final objective. The role of companies as policy-carriers on practical grounds is further explored in the fifth chapter.

China through a 'purchasing diplomacy' that is relatively low-cost to SOEs, combines highly focused, short-term economic threats with diplomatic pressure on a country or company to resolve an issue of limited significance to the target country (Reilly, p.123). The Chinese administration, through economic pressure seeks to suppress any notion that potentially challenges the territorial integrity of China and intends to strengthen the stability of the communist regime through a cost-benefit strategy, where political gains should outweigh the losses for the SOEs or for the central government (Fuchs and Klann 2013, p.166).

This stands in stark contrast with the previous concept around commercial agents that rarely accept a strategy that could imply losses on the short or long term moreover if the firm does not enjoy any kind of benefit or receives subsidies. This is distinctive from other emerging economies as multinational enterprises remain in state hands even though corporatized to focus on commercial objectives therefore they align their operations whether at home or abroad with policy or national imperatives. Additionally, China also presents a selective liberalization in the sense of priority given to resource-seeking, heavy industry or technology-oriented firms (Buckley, Clegg and Cross et.al. 2007, p.514).

China is also presenting a peculiar pattern that can be represented by a different and unique concept of triangulation where companies are key actors in their role of generating wealth and as the source of employment, but at the same time can serve as the means to address a domestic issue such as overcapacity, or a foreign policy issue such as isolating Taiwan. These economic tools of national power make the realization of economic growth and foreign policy goals simultaneously. Lastly, through economic growth and providing employment the Party continues to strengthen and justify its legitimacy.

China's attractive economic instruments discussed in this chapter have been well received in countries where governments have difficulties to access financial support from the Western-based institutions, such as the WB and the IMF. Evidence shows that China's overseas investment has been targeted mainly towards the developing world through loans and infrastructure projects. Policy banks and SOEs find suitable grounds for their operations in developing countries mainly due to flexible domestic conditions in general and the need of these countries for affordable infrastructure and growth opportunities. The next section explores China's approach and discourse that assumes Latin America as a uniform entity rather than a region with different countries as problematic and as a substantial obstacle for better understanding with countries like Mexico, as the domestic environment depends on the country.

Developing countries: The particularities of China's closest economic partners

China presents a variety of economic and trade partners with which holds a variety of interactions in different levels. There is a feature that is common to most of the country's closest partners: most of them are developing countries. The term 'developing country' is problematic in terms of agency because it is used to label countries whose economic interaction and indicators, social and cultural contexts, level of infrastructure and even political stability are considered and regarded as essentially distinct to those that prevail in the 'developed countries' that have good economic and social indicators as well as political stability. The term 'developing country' is rather defined through the conceptual and categorical differences with the 'developed country', where the latter is assumed to be an 'ideal type'.

A developed country is assumed to possess healthy economic, social and political indicators which provide stability, sustainable development and a favourable quality of life for citizens. A developing country on the opposite includes a series of categories that are not necessarily related to one another, as some countries considered a part of the developing world such as Chile for example, have presented favourable economic indicators during its accomplishment of the United Nations Millennium Goals that sought to diminish poverty and illiteracy. The developing world therefore, comprises a complex conceptual category where countries go through periods of crises and stability that in essence do not vary with those happening in the 'developed world'. The line between the 'developing' and the 'developed' therefore, is not entirely clear and, China provides the best example as in some cases it plays the developed card and in others, it portrays itself as part of the developing world. China has had favourable economic indicators in terms of GDP growth and monetary reserves, but in terms of the Gini coefficient (which analyses inequality and ranges from 0 to 100), China has 46.7 (CIA Fact Book, 2018) where any number that is close to 100 means that the income gap and social stratification are increasing.

Although these characteristics of political and economic difficulties are common to the countries that belong in the 'developed world', there is a strong differentiation in terms of the domestic environment that prevails inside the countries labelled as 'developing', for instance Mexico does not have similar indicators to the ones in India or even in any other Latin American country for that matter. Yeh (2016, p.275) emphasises that the concept of 'development' interpreted by China is rather related to deliberate projects or intervention and improvement by experts, whereas 'development' from the 'Western' point of view means an uneven process of capitalist expansion. This is a noteworthy aspect because inside China's policies targeted at other regions of the world, such as Latin America, there is a tendency towards the misconception of a developing country as an entity that to grow or develop, only needs funds. The case study shows that domestic environment plays an essential role in determining the success or failure to influence a country on different levels.

Goh (2016, p. 279) mentions that sometimes states could stand up against Chinese influence, as key actors in the target state could facilitate or resist Chinese interests, diversify strategic options and stand up to China under certain conditions. Broad alignment does not guarantee influence, as the target state's choices are also tampered by domestic political factors. The concept of agency and role of local government comes into question regarding the acceptance of China's aid or investment, as it is brought through a significant degree of agency and desire by state authorities and elites in host countries. This comprises one of the main critiques within the 'South-South' rhetoric as although China has invested efforts in improving the position of developing countries, this can be interpreted as means used to increase its influence.

Developing countries, therefore, are pushed unintentionally to accept China's discourses or conditions in return of this support. Bräutigam and Tang (2012, p. 801) explain that China puts developing countries as the destination of its investments because of resource security but also out of political and soft power factors, as it regards these countries as good arenas to project soft power and export China's model. They also add despite the 'no policy conditions' imposed on host governments, there is a double discourse of acceptance towards China and its interests that gets strengthened through official visits and diplomatic support (Bräutigam and Tang, p.806). In the case of the establishment of special economic zones overseas, the intervention of the government increases because the state purchases the land from other governments where Chinese firms establish themselves. In Mexico, alike the cases of other countries in the region does not have the adequate legal and institutional framework to build a free economic zone, as it would require clear guidelines and understanding of the laws for the establishment and operation of overseas companies distinct to those held in China or any other country.

China's foreign policy discourse: Critiques and concerns

China's approach to the developing world is framed through the 'South-South dialogue' and 'win-win interactions', the Five Principles of Peaceful Coexistence and the Belt and Road Initiative. There are strong critics towards this approach throughout the region and the perception from the Chinese side of these ideas is starkly different to the perception prevalent within most countries in Latin America. These differences keep on growing because of the impacts mentioned in the previous section, which instead of proving 'win-win' and 'mutual benefit', they reinforce that the only favoured participant is China.

Strauss (2012, p.136) mentions that the 'China goes South' idea frames and claims the principles by which China conceives of, understands and justifies its actions through a wide range of formal and informal relations with other countries. Bernal (2016, p.28) explains that through China's foreign policy discourse, it identifies itself as a developing country which shares the challenges, goals and interests of the southern nations. This discourse has a hidden discourse of dependency, as it praises the mutuality of interests based on common international principles, a similar notion of belonging to the developing world and mutual benefits of economic relations. Strauss (2012, p.145) adds that common development is presented as euphemism for complementarity, comparative advantage and division of labour. This discourse of commonality, analogous underdevelopment, suffering at the hands of colonialism and encouragement of self-reliance worked in addressing Latin America but it does not mean the same for all countries.

The Chinese side presents a strategy that in general does not go beyond words and promises and except for the Latin America White Paper of 2008, the current plan does not present a differentiated strategy according to the country, as it starts with the announcement of the outcome of the ECLAC-China Summit in Brasilia, where the representatives of all Latin American countries and China are expressed as 'two sides'. The result of this meeting was 'the establishment of the comprehensive and cooperative partnership of equality, mutual benefit and common development'. The idea of Latin America as a single entity is a highly criticised approach by most Latin American analysts, as it will be explained further in the section. In the case of Mexico, this is the case as discourses and communiques about bilateral encounters are always addressed towards 'building stronger ties' and the participation of business people in these activities. China presents itself as a reliable partner that seeks further involvement through non-threatening discourses and most importantly, attractive economic instruments.

Strauss (2012, p.144) explains that Hu Jintao's trip of 2004 sought to render China as intelligible and non-threatening to an unfamiliar set of audiences. The government continuously emphasises that sincerity and mutual trust in the political field, win-win cooperation on the economic front, mutual learning in culture, and close coordination in international affairs are the essential features to build a new relationship. Inside the most recent policy paper for Latin America, the terms 'high level exchange dialogues', 'all-round and rapid development in trade, finance, etc. and close exchanges' (Chinese Communist Party, 2016) appear not only throughout the document but also in articles about Latin America written by Chinese scholars.

Chinese analysts and Latin American specialists use a similar rhetoric to that used by the government, through the repetition of 'win-win', mutual benefit, strategic associative relationship, integral associative relationship and the role of Taiwan as an obstacle. Shixue (2006, p.2) for example, attempts to deepen the meaning of these ideas and provides an overview of the Asian country's priorities in the region. The author emphasises the importance of friendship and approaching each country, moreover in the case of the countries who still have diplomatic relations with Taiwan. The article has a similarity with the policy paper by using the 'South-South' rhetoric and mentioning 'support in the political fields, strengthening economic complementarity and carry out cultural contacts' (Shixue 2006, p.17).

Additionally, although explicit measures around Taiwan are not explicitly mentioned in the recent policy paper, Shixue's position reveals that it keeps on being an obstacle for consolidating China's presence in the region. Taiwan, the author explains, uses 'Dollar Diplomacy' to 'bribe' Central American countries and others, and that a 'firm posture' should be taken towards the issue (Shixue 2006, p.12). Therefore, to make these countries adopt the One China policy, China has made that Latin American leaders 'through their own eyes, Latin American guests have acquired a better appreciation of China's achievements of reforms and express their views that it would be in their political interest to establish diplomatic relations with China.'

The language China uses in its diplomacy is also echoed by its analysts, for example Zhimin Yang's (2016) brief article that addresses the importance of the 'strategic associative relationship' between China and Mexico is an example of this repetitive character and lack of differentiation within China's strategy towards Latin America. The author emphasises the use of multilateral channels to enhance cooperation in industry, technology and medium-sized enterprises (Yang 2016, p.39) and like Shixue (2006), criticises Mexico's reluctance towards having closer relations with China. The author claims that the North American country is 'a particular disappointment due to bans for Chinese products and lack of support in the WTO'.

China presents a rather complicated and overreaching strategy for the region because it implies cooperation in virtually all aspects, a matter that by extension, applies to Mexico. The recent policy paper explains the areas where China seeks a closer involvement, where agriculture, energy, infrastructure, manufacturing, scientific and cultural innovation and information technologies claim to be the priority (Chinese Communist Party, 2016). In each of these categories the words 'win-win' and 'cooperation' are present. The section that addresses manufacturing expresses that China will 'add value' and the country will 'add the resources', a plan that puts Mexico in a difficult position as a manufacturing country, as argued in the next chapter.

In the section of economic and technical assistance, China claims that it 'will continue to provide economic and technical assistance to Latin American and the Caribbean countries without attaching any political conditions and gradually increasing the scale of assistance within its capacity (Chinese Communist Party, 2016). The cases of Argentina and Venezuela handing entire sectors or companies in exchange of loans, the posture of pressuring on the One China Policy and the reactions during the visits of the Dalai Lama show the problematic character of these claims.

Oviedo (2015, p.2) is highly critical of these discourses, particularly of the use of categories to label its interactions with Latin America through the terms 'strategic associative relationship', 'integral strategic partners', and 'integral associative relationship'. The author explains that such relationships include other components that go beyond the economic realm, therefore it is just 'a different type of colonialism'. The idea of 'strategic relationship' and other terms within the Chinese discourse used in diplomacy, have 'hegemonic pretensions underneath'. Chinese investment as explored further in the forthcoming chapters, has neither created opportunities nor favoured development for the receiving countries.

This 'hegemony' is strengthened by the acceptance of these concepts by Latin American countries out of financial and economic interests. China, the author continues, uses a 'behaviourist approach' through which countries are subject to accept the People's Republic of China and all its official documents, be silent about sensitive matters for China such as human rights and the situation of ethnicities different to the Han, accept China's diplomatic discourses, be part of a 'centre-periphery' model, accept China's soft power through its cultural institutes and give migration benefits. (Oviedo 2015, p.3)

Similarly, Bernal (2016, p.27) is also critical of China's discourse and approach, as he explains that 'win-win' rhetoric justifies the development and preservation of an asymmetric economic relationship. His view is like that of Oviedo in the sense of China refocusing economic relations towards itself through its foreign policy by endorsing its own agenda in a pragmatic way. He argues that Chinese global political interests have been predominant in the definition of the Latin American bilateral and multilateral agenda and that China 'has not done much to improve the status of the developing world on development cooperation, protection of natural resources and other important matters' (Bernal 2016, p.33). Mexico has distinct characteristics compared to those of other Latin American or developing countries for the matter therefore China for the time being, does not offer an attractive scheme that would suit Mexico's interests. China's financial instruments do not encourage development, as Navarrete (2016, p.20) adds, a ´strategic relationship' requires countries to be in a common path of development, a condition not met between China and Latin American countries because of asymmetry and stark differences.

Altemani de Oliveira (2015, p.61) claims that the 'South-South' rhetoric is a collective platform for a new international order. China is aware of the importance of the international system for a stable and prosperous environment, but also seeks to readjust the system responsibly to its interests and the new actors. The author presents a different concept for 'emerging economy': a country that presents a significant economic growth and which obeying to its interests, approaches other developing countries showing a strong political will to participate in important processes on the global level and show political ambitions for transforming into a world power. China is using the disadvantages of developing countries as a space for extending its influence using its economic means by presenting itself as a developing country and as an option for the receiving country to solve its immediate economic urgencies.

China's strategy has not gone unnoticed by analysts in the region, and in some cases, analysts focus on the positive side of it, like Haro (2006, p.162) who praises the efficiency of the Chinese government and its strategies. He explains that China followed a slow process of inserting itself in the global economy through with a pro-statist perspective that had a pragmatic vision regarding concessions and benefitting themselves out of foreign direct investment. In his view, the Chinese state is not as strong as it intends to be perceived in the outside world, as it is just a free market version that has been successful due to the possibilities given to the interested parties to act without many economic or legal restrictions (Haro 2006, p.167). These ideas stand in stark contrast with the current restrictions faced by firms who wish to endeavour in any economic activity inside China. The face the region sees from China is either strengthened or hindered by geographic distance, therefore some perceptions (explored in further chapters) from the country range from positivity and idealism to extreme concern and reservation.

Bernal (2016, p.29), asserts that China's choice in favour of capitalism was given in a historical period where market economy was central and key to development. He regards this choice as a strategic decision based on the potential of the country under a concentration of power in the hands of a single party. China, he continues, is following the path to become a world power and, depending on where it stands in a forum or a negotiation, it plays the 'developed' or the 'developing' card. China has acquired advantage out of its developing card, as it has invested efforts in helping other developing countries achieve although limited and short-term, economic growth and increase their role within international institutions (Goh 2016, p.36). Multilateralism therefore, has been the best platform for China to build power and influence to combine efforts and set the new rules of the game, as giving greater presence to developing states in international institutions is also a form of influence.

The fifth chapter addresses developing countries as the ideal types for turning into economic partners and then into targets of economic statecraft. The argument behind China's preference is related to what Buckley, Clegg, Cross et. al. (2007, p.510) explain, as China's investment strategy in the developing world is characterised by an increasing relationship between host country political risk levels and Chinese overseas direct investment. Chinese firms do not behave in a conventional manner because SOEs may not be profit maximizers or may be maximising but are subject to government-led institutional influences. Their position in developing countries gets strengthened because investment from industrialised nations tends to be lower or modest, and in some cases, there is an ideological affinity in terms of political spectrum or regime type.

A final important concern regarding the uniqueness of China's overseas investments is that as investment patterns show, firms are operating in countries that are normally avoided by industrialised countries out of ethical reasons. This shows that China's state-led business model to the developing world is believed to undermine international efforts in promoting governance and transparency (Gong, 2017, p.2). China's economic statecraft is also inconsistent because despite its declaration of becoming a 'responsible global power', it continues to collaborate with authoritarian and violent states such as Sudan, or Venezuela or Myanmar in pursuit of its own economic and energy interests. Therefore, as explained further in the eight chapter, these firms are prone to higher risk levels out of economic, social and political instability that tend to dominate domestic affairs in some developing countries, which also represents a threat for Chinese companies and their workers.

Evidence found in the White Paper on Latin America of 2016 and investment patterns, shows that China's profiling of developing countries is related to its pragmatism and the relevance it gives to the 'business side' of its strategies. Consequently, as Araujo and Cardenal (2011, p.277) mention, the use of anti-colonialist discourses tied with the attractiveness of loans and infrastructure projects that have no political conditions, turns China into an ideal loan provider. China has also taken advantage out of the history from Western countries as colonial powers in the developing world, but for the same reason of this dubious past, their mistakes and irresponsibility are observed and in theory, have a higher cost in terms of image and reputation (Araujo and Cardenal 2011, p.241).

Mexico has not been subject to any collateral effects of the presence of China's SOEs, but in the case of other states such as Myanmar or Laos, China's SOEs have no counterweight on the domestic level due to the absence of opposition and lack of control mechanisms within the Communist Party. The impact of this lack of observance mechanisms for SOEs and their activities overseas is addressed in the eighth chapter, where SOEs and China's presence not only affect the receiving country, but also the local population.

The complex character of China's strategy

Accepting China's terms of diplomacy and foreign policy language has implications in terms of economic statecraft, as there is a gap between the benefit that the receiving country aspires to obtain and the actual implications of having a close interaction with China. Except for very specific cases, it is a matter of creating a core-periphery interaction and shaping the environment in a way that it creates a relation of dependency with China. China's ideas of development alike its definition of human rights relate to economic needs being satisfied, is an ideal that stands in contrast with the concept of development as the means to create opportunities for the local population and enhancing the economic environment to improve their lives through economic growth. China, as Strauss (2012, p.155) explains, regards common development as a matter of complementary advantage rather than replication. Clothed in the language of popular economics as 'mutual benefit' and 'win-win', this emphasis on the positive fruits of economic interaction and trade as a non-zero-sum game are part of China's wider framing and claiming to be engaging in a normal and natural peaceful rise.

The rhetoric of 'no strings and political conditions attached' stays on the realm of the ideal type because as Araujo and Cardenal (2011, p. 285) argue, despite China's rhetoric of 'no political and ideological conditions attached', evidence shows from other countries apart from the Mexican case, that accepting loans and infrastructure projects goes beyond the idea of China just as a business partner, as these mechanisms imply accepting China's concept of business, labour and environmental standards and values. Mexico's concept of environmental standards, banking and finance rules, labour standards and laws among others, added to other factors such as the geographic position, constitutes one of the core elements that have hindered China's effective presence in the country. China's reactions to the actions and decisions from its partners that remain within their borders and sovereignty such as deciding who to receive and what countries to interact with, counters China's discourse of no political conditions and non-interference.

China's case is giving a new character to economic statecraft in the sense of countries turning into targets when their actions do not suit China's interests, whereas acknowledging Taiwan or receiving the Dalai Lama or any other sensitive issue, these matters have in common that economic statecraft is used for China's self-interest. Goh (2016, p.28) explains that on the global level, China wants support for territorial sovereignty, non-intervention and shaping agendas so that international rules are mutually agreed upon and do not interfere in domestic affairs or force China to undergo political reform. Therefore, the effects of retaliation vary according to the country, the extent of relations it has with China and most importantly, economic relations, as in some cases there is a dependency from China or an asymmetric relation, and in others both apply.

Although China is supposed to follow rules established by financial and trade institutions (IMF and WTO), its self-interest prevails within trade bans as the arguments behind these trade bans are disguised as 'inspections' (Lotte stores in China) or as 'health concerns' (bananas from the Philippines). The main challenge is however, the uncertainty of these actions as in all cases there is not a warning prior to the ban. Therefore, China's approach is also labelled as 'behaviourist' further strengthened by China having its own narratives on development with priorities, as it places economic development prior to other aspects and, it uses its own interpretation to justify the approach of its own economic diplomacy (Gong 2017, p.15).

China's power and influence are still limited, as its ability to reform or establish institutions is not straightforward. Goh (2016, p.279) argues that discursive persuasion keeps on being an obstacle as developing countries and other partners might not accept, support and endorse China's position right away. The importance of key actors and interest groups within these target states facilitate or resist Chinese interests, diversify options and could oppose China under certain conditions. The broad alignment does not guarantee influence, as the target state's choices are also tempered by domestic political factors.

There are inadequacies and contradictions within Chinese notions and practices of influence that make China's strategy problematic. First, the tendency to downplay the autonomous agency of domestic dynamics of weaker sates by attributing their lack of acquiescence to the notions of other great powers and second, the connection between China's more benign modes of influence and the undermining effect of its inconsistent or coercive behaviour at times on the same issues (Goh, 2016, p. 280). This contradiction underlies one of the main misunderstandings between China and Mexico, as the former assumes that policy decisions of the latter are rather determined and dependent on the proximity to the United States than to domestic concerns. Mexico like any other country of Latin America has its own agency with or without the involvement of the United States in policymaking or diplomacy.

In the case of the visits of the Dalai Lama to other countries for example, China's actions targeted at retaliation vary. Whilst pure economic theory suggests that economic actors base their trading decisions entirely on intrinsic characteristics of goods and services such as price, quantity and quality, political relations exert additional influence on private actor's decisions and in the case of the Dalai Lama, detrimental effects of meetings on exports increases depending on the rank of the government official who meets him (Fuchs and Klann 2013, p.165).

Reilly (2012, p. 126) explains that in hopes of constraining unrest within Tibet and weakening the Tibetan independence movement overseas, China often deploys economic pressure to dissuade foreign leaders to meet the Dalai Lama, and lately the reluctance of meeting him officially in most countries suggests that China's economic threats have become more effective in recent years. The reluctance of the Mexican president to receive the Dalai Lama in the official residence effectively illustrates this but Mexico's position on banning his visits is a different matter, as explained in the sixth chapter.

The consequences of getting involved in issues that are sensitive or considered as internal affairs for China varies from a shift in consumer behaviour to travel bans or sudden inspections and closure of businesses in Chinese cities. In view of this unpredictable character, establishing close relations with China has a cost that can increase depending on the depth of relations and the extent of interactions with the country. Bilateral political relations are of large importance for trade with China, and they are not free of political biases and the country seems to exploit trade ties as a foreign policy tool (Fuchs and Klann 2013, p.175).

In sum, it is increasingly relevant to explore the implications of China's apparent benign development and discourses because as Nien-chung (2016, p.87) mentions, the new activism at play within China's economic diplomacy signals that the new leadership has embraced the use of economic resources at the service of diplomacy. The use of SOEs as the preferred carriers for infrastructure projects and policy banks as the major financial support as explained this chapter has implications for the receiving country. Mechanisms of supervision for SOEs that operate overseas lack transparency, therefore the receiving country also faces a risk and for the same reason, developing countries have become a preferred target for these companies to operate. Latin America, alike Africa has been subject to stereotyping and to a homogenous approach coming from China's concept of developing countries as uniform entities.

The existence of awareness within the relevant sectors in the target countries depends on the depth of interactions with China, as the role played by domestic actors is determinant for the success of failure of economic statecraft and, the effectiveness of instruments can also be determined and shaped by the perceptions of the relevant stakeholders. This is discussed in the next chapters, where academics, businesspeople and government officials from Mexico as the major stakeholders, reflect on the issue through their starkly different perceptions of China's economic statecraft applied to a specific case study.

Chapter 5

Distance and Economic Statecraft: What makes Mexico's case unique?

The current chapter explores Mexico's role as a major player within the world economy, a strong supporter and member of multilateral initiatives and its peculiar position being a developing country inside mechanisms where participants belong to the 'developed group' such as the case of the North America Free Trade Agreement (known as USCAM or T-MEC at the moment of writing), and the regional role of Mexico in Latin America. The relevance of these variables relies on Mexico being considered a key partner for China in Latin America and by extension, an adequate target for economic statecraft. The chapter links Mexico's economic position to its relationship with China in terms of indicators and a critique to the diffuse diplomatic language ('strategic associative relationship') of the latter, disputes within the WTO and then moves to the local realm of perceptions from business people that represent major stakeholders in the target country. These perceptions focus on trusting China, its impact and the role of businesses and companies as China's policy carriers, and SOEs as employment sources and generators of wealth.

Mexico has a complex economic history in which globalization has had different effects determined by a multiplicity of factors. The country started as a raw materials provider such as silver and oil and then went through a slow industrialisation during the XIX century that was interrupted due to social instability and armed movements caused by the revolution that lasted from 1910 to 1920. Later, in the years before the Second World War, Mexico started to increase its industrial capacity and the government had a pivotal role in managing growth by encouraging major industrial activities, such as oil and steel. In the seventies and eighties, due to the reliance on oil as the main source of income the country, volatility in oil prices led to a crisis where the government invested efforts through the nationalisation of banks. During these years, Mexico presented patterns that were alike the ones presented by other Latin American countries with strategies such as imports substitution.

The crisis ended up in massive debt and an increase in poverty, effects that are still present in the country. During the nineties Mexico took a turn to the neoliberal model in which government control and intervention were reduced and through privatisation and the encouragement of foreign direct investment, the country inserted itself to the global economy through the creation of bilateral and multilateral mechanisms like the North America Free Trade Agreement. Throughout history, politics and domestic realities have been increasingly intertwined with policy, particularly because Mexico had the same party in power for seventy years (1930-2000) that provided continuity, but this changed in the period of 2000-2012 and again in 2018. Despite being a democracy, political parties present similarities in the creation and implementation of policies, as problems such as poverty and safety have not changed but transformed. Local concerns and domestic needs are also present in how Mexico perceives itself as a developing country and how it interprets and perceives the world, which serves as the blueprint for its foreign policy.

The importance of the United States as the neighbour and as a regional power comprises an additional element that has been determinant within Mexico's foreign policy, not only from the perspective of the day-to-day basis, but also out of the history shared by both countries and economic interdependence. In terms of economic indicators Mexico, like most of Latin American countries, depends on the USD currency for trade and economic exchange. During past decades, changes in monetary and expenditure policy in the United States had a strong impact on Mexico and the rest of Latin America, as nearly all countries have economic interaction with the northern neighbour.

Geographic convenience: Economic and political importance of Mexico in North America

Mexico, as shown in the maps of Appendix I, is a key partner out of geographic reasons in the continent because it provides access to the Pacific, has a widespread network of ports, and a developing infrastructure. In terms of trade agreements, the country has 12 free trade agreements with 46 countries around the globe, 32 agreements for investment promotion and protection with 33 countries and 9 partial economic complementation, and partial agreements (this last one refers to tariffs exemption for the signatories) in the Latin American Integration Association (ALADI) (Secretaria de Economia, 2017). Mexico's major focus of trade has been North America, particularly the United States, but the treaty pattern has tilted from one region to the other, as it moves from Latin America after NAFTA (1994) with Colombia and Chile, then towards Europe in the 2000s and then Japan (2005), then back to the region with Peru (2012), Central America (2013) and Panama (2015) and then to the Alliance of the Pacific (2016) (Secretaría de Economia, 2017).

The country is also part of extensive trade and cooperation networks such as Asia Pacific Economic Community, a member of the Pacific Alliance (trade bloc formed by Colombia, Peru, Chile and Mexico), holds bilateral agreements with nearly all countries in Latin America, and is part of other regional initiatives such as Mercosur. (Secretaria de Economia, 2017). The North America Free Trade Agreement represents Mexico's entry to the paradigm of free trade, where many of the local businesses and companies were caught unprepared. Local businesses and small to medium companies encountered problems and further complications out of the newly imposed requirements in terms of operation costs and salaries therefore the major beneficiaries were transnational and multinational companies.

Calva (2004, p.217) mentions that GDP growth decreased to more than half of the one produced in the preceding years, the banking system got affected due to the forced liberalisation, household savings decreased, and both the agriculture and manufacturing industries plunged their production by two percentage points since the 1980s. This treaty has also made the country depend on the United States for exports, as local businesses and companies tend to prefer the convenience of proximity rather than the costs of exporting to Asia or Europe. In view of this context, Mexico is careful regarding free trade agreements with other countries, and particularly with large economies that have a similar profile, like China.

The Mexican legal framework allows foreign companies and investors to use these mechanisms for trade purposes therefore the presence of production plants, factories, logistics, manufactures and assembling plants is widespread throughout the country. Mexico provides a transit route and a source to produce goods exported in the continent. Companies such as Audi and BMW have an assembly plant in Puebla and in San Luis Potosi respectively, and KIA has opened a new plant in Monterrey. The cars produced are destined to supply the markets in Canada, the United States and some countries in South America, such as Brazil.

The geostrategic importance of Mexico has been emphasised by both the current and former ambassadors of Mexico in China. Julian Ventura, former ambassador in China explains that the size of the Mexican market, the geographic location and privileged access to other countries and regions through the free trade agreement networks turn Mexico into an attractive destination for Chinese companies in their internationalization process (Garibay, 2014). The current Ambassador of Mexico in China, Jose Luis Bernal mentions that the country is a good connexion point, an international centre for manufacturing and a platform for other markets, particularly for Latin America and the rest of North America (Zarate, 2018).

Mexico as a key player in Latin America

Mexico has had an important role not only form the economic and trade perspectives, but also within the diplomatic history of the region. Latin America as stated previously is a diverse region and each country has its own particularities but there are common challenges and shared concerns among countries, these are mostly related to economic and social development, security and political stability. Relations between Mexico and the region are differentiated and have varied throughout the recent history, nevertheless the country apart from being an active member in integration processes and trade agreements it has participated in peace-making processes and non-proliferation and security treaties.

One of the relevant processes was the end of the civil war in Central America during the 1980s, where violence was achieving unsustainable levels that threatened to collapse the whole region. Mexico participated and promoted a multilateral initiative with Colombia, Panama and Venezuela known as Contadora Group, to stop the violence in Guatemala, El Salvador and Nicaragua. A peace agreement was signed on September 1983 in Panama, putting an end to the violent conflict in the region. In stark opposition to the role that China has been playing as a permanent member of the Security Council through the support of the veto aimed at managing conflicts in Syria or deterring North Korea under the non-interference principle, Mexico presents a pattern of consistency in terms of supporting initiatives aimed to long-term stability.

A second important process where Mexico participated was the signature of the Tlatelolco Treaty in 1967 which aimed to avoid and forbid nuclear proliferation in Latin America. The Cold War in the region meant a stark division between capitalists and communists in the region where Cuba carried most of the pressure of being the major country of interest out of Fidel Castro's posture of supporting Russia and adopting communism. Thanks to the turmoil caused by the Missile Crisis and the tensions around nuclear deterrence, Mexico decided to create an agreement that would aim to free the region from any sort of nuclear threat.

Mexico is also strategic in terms of regional security, particularly for the United States. The Merida Initiative, which sought to deter and control security threats such as terrorism, organized crime and drug trafficking has been one of the many efforts to preserve bilateral security. In 2019, there is an ongoing debate about whether these initiatives and bilateral efforts to stop these threats have been successful, as it has been filled with complex controversies. This is an important aspect to consider whilst analysing interactions between Mexico and other countries, as a stable security environment is essential for successful economic activity.

Achievements in diplomacy have been reinforcing the country's privileged position and its advantages as an economic partner not only in the region but also to the world. China is aware of these conveniences, and both government and business sector have showed interest in the North American country since 1972, when both nations established formal relations. Additionally, as Cornejo (2010, p.607) explains, Mexico shares cultural, linguistic and socio-economic commonalities with nations in Central and South America, something useful for China to push its influence around, moreover with relevant issues of its interest such as strengthening and encouraging the One China Policy.

The Mexican Ambassador to the People's Republic of China, Jose Luis Bernal declared that Mexico and China have held six high-level meetings and that both take advantage of global value chains, as Mexico is China's top partner for Latin America and constitutes the second source of imports (Centro de Estudios UNAM-China, 2017). Zhao Hangsheng, former Ambassador and Head of the Department of Latin America in the Ministry of Foreign Affairs confirms the argument, and argues that for the same reason, Mexico is strategic for China. This influence and role played by Mexico from China's view is particularly relevant, as some nations in Central America keep a strong bond with Taiwan. The former ambassador of Mexico in the People's Republic of China, Julian Ventura explains that China is a key interlocutor for Mexico as a top geopolitical actor and as the second largest economy. Both countries are within the Pacific Rim, deeply integrated in the global economy and are relevant actors in the main international forums and organizations (Opportimes, 2017).

Regarding the role of Mexico in the context of China-Latin America relations, Ambassador Bernal adds that Mexico as a Latin American country has a variety of relations with different countries. Latin America, as mentioned in the third chapter, is a large region and during the ECLAC-China meeting in the beginning of 2018, the increasing interest in deepening ties with China was noted as according to the Ambassador, thirty-two ministers attended the forum. This interest has increased also due to the mounting hostility from economic policies in the United States towards foreign producers and products. Mexico's condition as a trade partner is discussed in the next section.

Mexico as China's second trade partner in the region and as competitor in the United States market

According to the recent statistics (in nominal terms), China holds the largest GDP with 10.73 trillion USD, a slowing GDP growth rate of 6.6%, a purchasing power parity of 21.27 trillion USD, and a GDP per capita of 15,400 USD (CIA Fact Book, 2017). These economic indicators in terms of GDP tend to be relevant when comparing size and trade activity, and for this research they are a standpoint to demonstrate the origin of economic capabilities. Mexico, on the other corner of the world constitutes the second most important partner for China in Latin America with 2.7% of imports (MIT Observatory of Economic Complexity, 2015) and, China is the second source of imports (17.7%) for the North American country. Mexico has an alarming rate of dependency of the United States, as 81.2% of exports go across the northern border (CIA Fact Book 2017). These numbers demonstrate that factors like proximity, trade balance and increase or decrease in investment are determinant to analyse the depth of interactions between China and the case study.

In terms of indicators, Mexico is a medium sized economy that has adopted globalization favourably with both positive and negative effects. The North American country has a GDP of 1.064 trillion USD, a slow GDP growth of 2.1%, a purchasing power parity of 2.307 trillion USD and a GDP per capita of 18,900 USD (CIA Fact Book, 2017). Despite the size of the economy, the country keeps on having a high rate of inequality, as nearly 47% of the population lives in poverty. Regarding trade activities, the dependency of Mexico on the United States for exports was noted above, but the role of the northern neighbor as the top partner cannot be displaced or taken by China for the reasons further explored in the chapter, such as economic profile, mutual knowledge and previous history.

Despite the dependency on the United States, Mexico cannot be considered or labeled as a 'raw materials exporter', as the country is now able to produce middle and final goods and has also improved the quality of manufactures. The country at least on the domestic level, has diversity of primary (agriculture, minerals), secondary (manufacturing industry) and tertiary products (cars and technology goods) added to the services industry, this particularity adds an attractiveness for Chinese companies and investment but at the same time, serves a barrier for specific objectives, such as the issues around steel discussed in the next section. The country is the fifteenth largest economy in terms of nominal GDP (World Bank, 2016) and, it produces raw materials such as silver and agricultural products such as fruits and vegetables but at the same time, manufactured and final goods such as cars, plastics, and technology and oil products. The country also has a strong iron and steel industry therefore the conditions under which economic interaction and competition with China are different and more complex compared to other places in Latin America.

Dussel (2018) explains that compared to other countries in Latin American with large primary sectors, two thirds of Mexico's exports are manufactures therefore, the country does not have the same potential to exports agricultural and extractive industrial products as Argentina, Brazil or Chile, that benefitted economically from the increasing exports during China's booming years. Mexico, after the crisis of the eighties caused by depending on a raw material (oil), encouraged its manufacturing sector based on complex and value-added goods such as appliances, cars and televisions that made it turn into a competitor rather than a complementary country for Chinese goods. Ambassador Julian Ventura endorses this argument, as he mentions that the economic profile of Mexico is different to that of other Latin American countries, as Mexico is not a raw materials exporter and has cars and car parts as one of the main exports.

In view of the approach used by China with developing countries in Africa and in Asia where there is an emphasis in raw materials extraction (Myanmar, Peru) and resources exploitation (Angola, Mekong Delta) and the presence of Chinese State-owned companies in infrastructure projects and investment plans, this view is also endorsed by an anonymous source who explained that China holds a perception from Latin American countries like the one held from Africa. Developing countries are raw materials producers and provide an adequate ground for the 'Chinese business model', discussed in the next chapter. The source also labelled China's approach as useless because Latin American countries are different in terms of domestic conditions, culture and priorities.

The concept of 'developing country', as stated previously, is problematic in practical terms because of the assumption a priori that countries like Mexico or Angola are the same out of their nature as 'developing countries' implying that they have equal economic, social and political patterns. Such generalizations lead to what a consultant specialized in trade explained, that Mexico is the country that has the most clashes with China in matters concerning the manufacturing industry out of their common features, as Mexico is a major exporter of both manufactured and complex goods. He emphasized that Mexico's manufacture exchange is not the same as China's and that trade from the former, as opposed to other countries in the region who export raw materials, does not have a complementary character.

Mexico's relative success with bilateral and multilateral agreements has not gone unnoticed by China, as despite the difference in cultural, economic and political contexts, NAFTA represents an achievement in terms of a developing country being able to achieve an understanding and creating a common set of rules with a developed country (Canada) and the world power (United States). A government official from BANXICO, the top authority for monetary policy in the country, explained that trade between Mexico and the United States is integrated in complex networks where companies have their own agreements and set the rules of trade operations and prices depending on the needs of the signatories. He mentioned that despite the relative success of the treaty, NAFTA must be reformed to be made more profitable for all the involved parties and, due to the regional and strategic importance of this treaty, China expresses and shows a constant interest in how this trade mechanism was created through visits from government officials and even students. The interviewee mentioned that this sudden interest has been perceived with suspicion from Mexican authorities therefore, government agencies have been cautious with these visits.

The changes brought by the presence of President Trump since 2018 has also jeopardised the sets of rules that were established and prepared according to the circumstances of the NAFTA years (1990s) that have changed and now include the role of companies and individuals as part of the stakeholders within a trade agreement. In view of the current complications, being the lack of an official text and name of the treaty two of them, the interviewee emphasised that economic relations have changed in form and substance and that traditional approaches are not useful or profitable anymore, as during the eighties there was an emphasis on establishing economic relations through multilateral mechanisms, whilst during the nineties these relations were managed either through bilateral or regional agreements.

The role played by Mexico as a free trade advocate has also led to its participation in global production and value chains and multilateral forums. A practical problem, however, is how quick Mexico got involved in these mechanisms and the negative impacts that have resulted from this involvement. The lack of prevision and taking the necessary actions to face further and unexpected challenges, such as the entry of China to the WTO, have resulted in a sudden increase of competitors and bankruptcy for local businesses on the long term. The Head of the Division of Foreign Trade and Exchange from the Confederation of Industrial Chambers summarized the complexity within the whole free trade equation and the effects it could have on the economies of the participants of these mechanisms. He argued that the main questions faced by most countries is what the true meaning of openness is and how this is translated in terms of competitiveness, as risk management and assessment are necessary before signing any agreement.

The interviewee warned that there are actors additional to the state that can either encourage or hamper free trade agreements known as 'non-tariff barriers', which can be determined by cultural differences or domestic complexities. In the case of Mexico, he continued, norms regarding quality and specific rules of trade are still lagging and are further complicated by interprovincial problems. In the case of China, through the lack of transparency and the differences among sets of rules that vary according to the provinces, the restricted access to accurate information and the secretiveness of the state constitute considerable obstacles for outsiders, such as overseas companies and investors.

This change of approach towards free trade has been enhanced by globalization and since Mexico holds economic capabilities and a strong potential to expand its trade networks, it has built an extensive bilateral treaty network throughout its immediate neighbourhood, such is the case of treaties with Central America to the south, moving further to Colombia, Peru and Uruguay and Mexico's observer status in Mercosur (Argentina, Brazil, Paraguay and Uruguay. Venezuela was suspended in 2016). Nevertheless, as stated above, the interest increases when the counterpart holds a strategic position in terms of geography and trade activity. Domestic circumstances, however, could either hamper or enhance these networks, as domestic policy has a direct effect on the roots of foreign policy.

The interviewee mentioned that multilateral forums such as the WTO as a means for dispute management and resolution is suitable, but in terms of trade liberalisation it is not efficient due to the additional factors involved in the equation, where domestic constraints comprise the main obstacle. The stark opposition from the Mexican private sector towards giving the 'market economy' status to China and the initial reluctance of allowing the country to the WTO and domestic politics for instance, illustrate this. The concept of market economy for the purposes of this research refers to an economic system where businesses, companies and goods are moved and determined by the rules of the market and competition and not by government intervention.

In Mexico, the problem is not necessarily related to China as a state-driven economy but the presence of Chinese companies that have subsidies and serving as the means to carry out infrastructure projects, the use of Chinese materials and the absence of a clear benefit for the locals. Therefore, most of the interviewees from the business sector expressed nearly the same concerns regarding China, each focused on how its presence affected their area. The manufacturing (shoemaking, clothes) and industrial sectors (steel) have the strongest critiques against China's system and business tactics. Nevertheless, they emphasised that the need for accurate and stronger economic policies should be a priority instead of looking for complex and expensive counterweights against the country.

China could not have turned into a threat if the Mexican business sector and companies had taken the necessary measures before China entered the WTO in 2001. The idea of China as a threat from this perspective is not real but rather created out of the inactivity of the Mexican affected parts. An academic and business consultant echoed these concerns by claiming that despite the state is present within the relevant sectors in China (oil, steel, construction, technology, energy, for example), government agencies in Mexico are unable to manage negotiations due to the lack of accurate data and knowledge. China has a restricted access to its trade and investment indicators in general, but precautions and previsions fall onto the responsibility of those parties that are affected and constitute the main interest groups. The interviewee also explained that this is worsened by the current and the last administration who have been unable to identify the major trade relationships that they seek to improve, turning China into a major challenge.

The lack of prevision has resulted in a double-edged sword after the 2016 elections in the United States, as the Trump presidency has caused a turn in tone and attitudes towards the neighbour, nevertheless these actions have also paved the way for enabling China to have a greater presence in the country. The process is not straight-forward because as Dussel (2018) mentions, despite positive rhetoric neither China nor Mexico has managed to tackle the main issues that have generated tensions with FDI, tourism, visas, trade and infrastructure projects among others, between them during the last decade. This is further discussed below.

Mexico vs. China: Between the WTO and the United States

The strong presence of the state in China regulating and determining economic activity was mentioned by both government and businesses sector interviewees but in some cases, it is interpreted and understood differently. Secretiveness and lack of information represent a real obstacle for interacting with and understanding China not only from the business perspective, but also in terms of policy. It is not inconsequential that these two were mentioned as the main obstacles by businesspeople and government officials, as the lack of accurate data always entails a risk. In the case of government officials, in the words of Ambassador Bernal, it is essential to strengthen the political dialogue to encourage the creation of value chains and distribution channels (Zarate, 2018). Ambassador Ventura also emphasised the importance within the political dialogue on all levels that generate tangible and increasing benefits for productive sectors in Mexico through promotion and investment (Garibay, 2015).

When China entered to the WTO, reactions coming from business owners and companies show that Mexico was caught unprepared. The country came to know about the structure of subsidies and the presence of the state within Chinese companies after lifting restrictions to China's entry to the WTO through the sudden flood of Chinese imports, which lead to a sense of urgency in imposing antidumping mechanisms such as long-term compensation fees. Since the effects of

China's entry to the multilateral trade for a meant a disaster for Mexico in terms of being displaced to the second place as the main source of imports in the United States and having its industrial and manufacturing sectors severely affected, one of the major issues expressed by the interviewees from the business sector and that constituted the main obstacle for supporting China's entry to the WTO is the debate around giving China the market economic status, defined in the previous paragraphs. A consultant specialised in trade expressed that the involvement of the state in giving a considerable number of subsidies either through government banks or public funding support and deciding where to invest, how and which sectors are to be encouraged as well as determining prices of raw materials and currency exchange rates, are not within the framework of a market economy.

The assumption of China as a non-market economy has several problematic assumptions on the theoretical perspective, but has palpable implications on the practical ground, and the case of NAFTA reform illustrates the case. Negotiations that have been taking place since 2016 between Canada, Mexico and the United States have had an outcome after rounds of discussion where Mexico was targeted due to its level of salaries, Canada for its policy of subsidies for agriculture and farming products and the United States for its emphasis on having a larger portion of benefits and solving pending issues such as e-commerce.

The Free Trade Agreement ended up under the name of United States, Mexico and Canada Agreement which is planned to be trilateral but one of the clauses is clearly targeted at putting a break to China's presence in North America. The clause 32.10 dictates that if any of the parties is doing negotiations with a non-market economy, the other two parties should be given notice thirty days before the signature of the agreement with the country in question (Office of the United States Trade Representative, 2018). In view of the clause and the context of tension between China and the United States and the defensive tone stemming from the latter towards the former, the clause implies that the United States is pressuring its neighbours to keep China away from its borders.

The clause as such does not constitute an obstacle for China and Mexico, as an anonymous source explained, even with the presence of such restrictions, China and Mexico can continue bilateral exchange, as Mexico has created a differentiated mechanism through which it negotiates the conditions of each product exported to China individually. Currently, Mexico and China have signed agreements like those signed between Mexico and Japan with specific products such as the avocado, for the export of tequila, meat, pork, other frozen meats and fruits in terms of establishing sanitary protocols and rules for handling and transportation. These conditions and rules however, opposed to a trade agreement of any kind, are targeted to a single product and not to a series of goods.

In view of this case of clear clauses or policy mechanisms such as anti-dumping targeted against China for not being considered a market economy and out of its business practices and capabilities, an anonymous source mentioned that China is complicated and risky because of non-tariff barriers. The source explained that China is perceived as a monolithic entity that is centralised and that all decisions depend entirely on the central government. The issue is a real threat for outsiders from the practical perspective, as in terms of business and policy-making the issue is that provincial and local governments have their own agency and their objectives, therefore foreign firms and governments can be subject to different dispositions according to the counterpart.

Despite the central government being the main source of legislation and regulation, China is starting to have a system that is moving towards decentralisation, where each province has a certain degree of autonomy, giving local governments the possibility of managing their projects, finances and investment which in some cases are different to the ones elsewhere in the country. A source explained that laws and requirements vary according to each city and each province, so firms and investments enter to China and come across sudden regulations such as compulsory joint-ventures with Chinese firms and other unexpected incidents. China's domestic structure and management, therefore, are two major concerns for foreign investors and companies, as provinces work differently according to the local governments and policies coming from Beijing are also implemented according to the context.

The unpredictable and secretive character of laws and regulations expands throughout the country, and therefore gives uncertainty to those on the outside dealing with China, as restricted information that is tailored to the needs according to the circumstances turns into an unpredictable counterpart. A consultant specialised in oil and sustainable energy projects described China as 'chameleonic' because in his view, it did not present a specific economic or political ideology before the 2000s, which is regarded as its entry to global trade due to the impact felt by its acceptance to the WTO. The years before both countries established formal relations, Mexico was rather focused on its internal development and dealing with the collateral effects of the peak years (1960s) of the Cold War.

The absence of Xi Jinping during the 2018 Davos meeting, considered as one of the top meetings of world leaders organised by the World Economic Forum where they discuss and shape global agendas for development for example, in the interviewee's perception shows that there is no clear intention to protect or give any guarantee to foreign companies in China. There are additional obstacles for investors in China that move further from the actions of Xi Jinping in international summits, such as controls and restrictions from provincial governments in mainland China among others. Economic statecraft comes into the equation because the lack of information from inside China could lead to constant misunderstandings. In view of China's clout in terms of being the largest creditor after the WB, opposing China would be a costly mistake, as the country has substantial control of the debt from the United States, one of the world's most powerful economies, which gives China leverage.

China's loans and funds: Reservations instead of attractiveness

Two interviewees from PEMEX (Petróleos Mexicanos) which used to be one of the few state-owned companies in Mexico expressed their views regarding China's increasing presence and the concern regarding clarity and the risk of economic statecraft. The oil sector in Mexico is relevant for this research mainly for two reasons. First, oil is the second most important source of income in the country preceded by remittances from Mexicans in the United States and followed by tourism. Second, PEMEX is a state-owned company which despite the attempt to decentralise it through the Energy Reform of 2013, still holds leverage on energy-related affairs.

A state-owned company from the Mexican point of view and as stated by an economist from the Ministry of Finance, is an entity managed by a politician and a professional in the sector. The 'owners' of PEMEX as such, are the Ministry of Energy and the Ministry of Finance. The company, therefore, is managed by these two ministries and the CEO is affiliated to the party in power. PEMEX does not have a Party Secretary or a person who looks after the implementation of policy guidelines like in China, as the CEO is affiliated to the government. The major difference with China's concept of SOE is that PEMEX has opened deep exploration and renewable energy to private companies as opposed to the Chinese case where companies that operate with China Offshore Oil Engineering, PetroChina, Sinopec, China Oilfield Services and others are subsidiaries or related to each other.

The presence of the state in companies either through conducting policies or encouraging investment in specific sectors is not unfamiliar to the PEMEX interviewees. The Mexican government has changed the disposition of energy-related businesses and the sector has been decentralised, as private companies are now allowed to invest in deep sea exploration, electricity and hydrocarbons since the Energy Reform of 2013. Concessions and biddings however keep on remaining under control of the federal government and one of the top requirements is joint ventures with a domestic company. Despite these 'legal locks', there is concern regarding the nature of Chinese SOEs and Chinese funds. The Head of the Division of Oil Exploration projects for instance, said that the world has perceived the efforts China has been making to be acknowledged as a power and, that these actions have consequences not only in China's neighbourhood but around the world in general. In both economic and military terms, China is playing an important role in trade, economy and energy consumption and financial leverage on the global level. In terms of financial leverage, he mentions that despite the wide number of Chinese financial entities that are offering cooperative programs to invest in different sectors, there has been a lack of simplicity to get access to these so-called funds.

Reservations towards Chinese credits or funds comes from the particularities of these instruments, as they have rigid conditions that can be 'negotiable' depending on the level of resources and debt of the receiving country, as some cases such as the one of Ecuador or Venezuela show that oil becomes a part of the deal as a means of payment. Krauss and Bradsher (2015) mention that since China is aware of its own power, it is forcing other countries to play by its financial rules, which can have an expensive outcome. Developing countries end up paying expensive interest rates in return of credits and the cession of the rights to access their natural resources on the long term.

China nowadays constitutes the biggest oil buyer in the world, a matter that has given it a source of leverage within oil-politics. The country, like Japan and South Korea who depend on foreign oil therefore, has followed the same geopolitical tactic as the United States which is having oil fields outside of China to guarantee its demand at home. Loans coming from China's policy banks such as the Exim Bank, are meant to benefit Chinese companies and are targeted to satisfy domestic needs, therefore these loans are not meant to address the needs of the receiving countries.

In the case of Mexico's oil industry for instance, the interviewee explained that despite the availability of players that want to exploit the country's geological basins, it has been increasingly difficult for them to have access to these Chinese funds. Evidence of SOEs delivering infrastructure projects through themselves or their subsidiaries shows that these funds are state-managed and delivered through state-owned banks or through projects lead by state-owned companies. Thanks to this asset management structure, conditions tend to be rigid and specific, as these mechanisms are neither determined nor moved by market laws but rather determined by China as part of its own strategies.

Consequently, there is an information gap where China's policy banks do not present clarity regarding repayment conditions and as explained by an anonymous source, Mexico is not in the same condition as Sudan or Angola who cannot access funds or loans given by the WB and similar institutions and must look for other alternatives. This style of covering debts is neither known nor acceptable for Mexican authorities, as the country still enjoys a favourable condition in the sense of complying with the guidelines required by financial institutions which allow the country to access competitive and cheaper loans.

Araujo and Cardenal (2011, p.174) endorse this argument, as despite the apparent convenience of the loans offered by the Chinese government and the repayment conditions, using resources to pay these credits implies additional costs of processing, shipping and having enough supply of resources to satisfy domestic needs and paying the loan at the same time. Evidence of countries like Angola and Venezuela that have large oil reserves have used this repayment mechanism, which in the case of the latter and out of the volatility from oil prices it has caused major problems with repayment. The Latin American country is China's largest creditor in the region with a debt of 23 million from the total loan of 62 billion USD where the latter represents 53% of the total loans granted to the whole region (Baumuk and Rendon, 2018).

Banking systems that are not regulated or are unknown to the debtor in terms of mechanisms and functioning entails a risk, as payment conditions could end being more expensive than the loan itself. The practical problem of China's loans according to an anonymous source, is that they are not designed to be used under a 'market logic' therefore Mexico as opposed to other developing countries, does not find any of these schemes as attractive. The absence of rules for transparency, good governance and weak environmental standards constitute a major concern for the United States regarding China's financial initiatives such as the Asian Infrastructure Bank (Krauss and Bradsher, 2015). Mexico has not been involved in any of China's financial initiatives out of the same concerns and because the country has other banking alternatives considered suitable for Mexico's needs.

Distance and misconceptions between both countries is also reflected in other indicators, particularly investment and distrust coming from previous mistakes. A second interviewee from PEMEX who is in the division of economic and investment analysis explained that the increasing deficit of Mexico to China's advantage and the little investment (less than 1%) of the latter is a concern. He explained that the major issue is building trust between both countries after the disagreement that resulted of the cancellations of Mexico-Queretaro Railway project and Dragon Mart, explored further in the last chapter. In general terms, there is a gap between both countries regarding how they perceive each other and how they address problems and disagreements, as the cases mentioned show that both possess different views of trade, laws and regulations and most importantly, their concept of 'the other'. Interviewees addressed the issue of trust between both countries as a major source of concern, as it has hampered and damaged bilateral relations. Perceptions from the meaning of 'trust' however, varied according to the interviewees and their experiences with China.

The concept of how 'the other' is perceived in this bilateral relation constitutes an obstacle because both countries present reservations from each other, mainly due to China's possibilities of expanding its influence as easy as other powers due to its financial capabilities. The case of Chinese workers in oil platforms represents a good illustrative example of how SOEs and their subsidiaries and therefore the state, can gain influence slowly in the platform complex through the presence of Chinese workers brought by the SOE to the receiving country. An oil industry consultant from an international consulting firm in charge of Mexico-China oil affairs, explained that internal hierarchy of Chinese companies and oil business is complex, as in the case of the latter oil companies are not always the owners of platforms.

PEMEX for instance, owns several platforms that are leased to other companies and drilling contractors, and so does the China National Offshore Oil Corporation. She explained that the cost of platform lease varies, and it is per day, from 50,000 to 150,000 USD depending on the platform. China has two types of oil companies, some are contractors and others are consortiums, all of them related to the central government. The problem of leasing in Chinese platforms is the leverage of the SOE on leaseholders, which can increase when most of the workers in the platforms are Chinese. This leverage is unpredictable, as it depends on the legislation of the country where the platform is based.

There is a gap between legal terms and how they are understood by the receiving country opposed to how China understands them, as a consultant specialised in trade expressed that in China's case, there are many contradictions in the definition of a company mainly due to the issue of subsidies and intra-firm practices. There is the existence of additional advantages such as domestic policies favouring these companies and subsidies for their benefit coming from Beijing that affect and could harm the receiving country. He explained that SOEs sell raw materials to

Chinese producers at subsidised prices, and that thanks to government support companies enjoy a status and authority that goes beyond limits with their activities. He further added that trusting a business partner of such characteristics gets hampered by China's reluctance towards giving accurate and transparent information. China therefore, looks for 'spaces' within trade agreements to position their companies and their activities.

The lack of knowledge towards China prevails in the country as well and as explained by interviewees, it is a trend common to both private and public sectors. In Mexico, the major focus and dependency on the United States as the main market has led both public and private sectors to a comfort zone. Mexican businesspeople, therefore prefer to invest efforts in a known market rather than investing resources in pushing through China's market which has its own characteristics not only in terms of consumer behaviour, as regulations comprise an additional major challenge. Uncertainty, unpredictability and China's secretive character comprise an obstacle for Mexico, as even government officials argue that the gap between what China expects and what Chinese officials argue keeps on growing until outcomes turn out otherwise.

These issues serve as the major argument behind why Mexico has preferred individual agreements targeting each product exported to China rather than grouping products in a single treaty. Whilst both countries have a similar economic profile, they present major differences in terms of quality standards. Differences therefore go further from mere cultural differences, as Japan for example, is also a major trade partner for Mexico and the level of understanding is very high despite cultural differences. Japan has an entirely different economic profile as that of China, and from the perspective of government and private sectors, both information and regulations are clearer.

The means through which China manages its domestic policies and determines economic priorities and foreign policy remains unknown to other countries and to the relevant sectors. Reactions to this secretiveness have varied and range from discomfort to distrust and get reflected on antidumping, bans and others measures. Alicia Girón, academic specialised in trade argues that protectionist policies have a depriving effect on the integration of production circuits from both countries, and that the potential of creating 'bubbles' constitutes a serious concern due to the amount of debt within China in terms of how provincial governments have been incurring into debts to develop their regions. Standard and Poor's reports that China's domestic debt possess a threat not only to its domestic finances, also to its economic system. Currently, China's internal debt accounts for 40 trillion Yuan (5.78 trillion USD) (Reuters, 2018) which accounts for 47% in terms of its GDP (CIA Fact Book, 2018).

'Strategic associative relationship': China's unclear differentiation of partners and cognitive dissonance

China is distant in both cultural and geographic terms therefore political and institutional dialogue are constantly emphasised by both Ambassador Bernal and Ambassador Ventura as the key to a better understanding of China. The term 'strategic associative relationship' is the best proof of China's attempts to improve and institutionalise dialogue between both countries and of Mexico's puzzled reactions of what this means. Currently, the term tends to be present in all the official interviews between Mexican diplomats and Chinese government officials and seems to be widely accepted, but due to its nature as a term coined by China and as stated in the previous chapter, it is neither well-understood nor clear, as it presents a sets of ideas that belong to the discourse of 'win-win' that China has used with developing countries therefore, accepting these terms implies accepting China's diplomatic discourse and consequently, its definition of interests.

Oviedo (2012, p.12) explains that these labels used by the Chinese diplomatic discourse are confusing because the Chinese political praxis introduces these concepts in a general way to countries that have different economic, social and development indicators where this no clear pattern of application and it lacks specific parameters for 'labelling' partners. Global powers like the United States or powerful neighbours like Japan or big economies like South Korea fall into the same category as Mexico or the Philippines, as all of them have or are considered as 'general associative relation'. Since the spectrum of political and economic systems presents a wide variation, China seems to label its partnerships as 'strategic' or 'complementary' according to the circumstances, as in the case of Mexico it can be considered strategic out of its geographic position as the neighbour of the United States, or as its role as a major economy in the region after Brazil. The preferred interpretation of this language and its implications as a core-periphery model however, is present in academic and government perceptions.

Strategic associative relationship is conceived as a mechanism that expects to enhance cooperation and bilateral agreements, but the cases of other Latin American countries that have a free trade agreement with China are raw material providers so, the position in which Mexico would be located is not entirely clear. Ambassador Bernal understands it as a mechanism that entails a close cooperation with China that is not reduced to economic exchange, but also in terms of academic, cultural, and investment interactions between both countries. He explains that by strengthening political dialogue, Mexico expects to create value and production chains, as exchange between both countries has increased and is higher than the one China holds with other countries and, that this bilateral exchange is higher than with other BRIC countries (Zarate, 2018).

Ambassador Ventura is rather focused on economic exchange rather than other type of interactions. In his view, strategic associative relationship is a joint declaration subscribed by the Heads of States of both countries that reflects the expansion of bilateral relations held during four decades and an outstanding willingness to give dynamism to this exchange by advancing on the main priorities of this relationship. Economic and trade agendas comprise an essential component of this strategic associative relationship that also entails a permanent dialogue that other countries do not have with China (Garibay, 2015).

Both diplomats understand this bilateral exchange as a mechanism that could enhance and encourage competitiveness, dynamism and alliances, therefore as a potential positive exchange for the country. Nevertheless, there two pending issues in terms of building the necessary conditions for a positive exchange: first, the existence of an effective dialogue needs the creation of more efficient mechanisms for understanding, and second, transparency is a must for both sides as it underpins reliability. In general, there is no comparison between the level of understanding between Mexico and the United States or the European Union opposed to that held with China, as Mexico being part of North America has created mechanisms akin to western sets rules and values.

China however, as explained by an academic and business consultant presents a different idea. He explains that China is not the United States in the sense of clarity of what it is expected in return. In the case of China, he argues, they tend to make an agreement according to their interests and their needs so, when these are satisfied they leave without previous notice. This is the main problem with countries that establish close links with China, as developing dependency serves a source of leverage and uncertainty. The receiving country might have an idea of China as a convenient trade partner that will help growth and development until reality proves otherwise, as behind China's pragmatism there are the intentions of assuring resources on the long term and the expansion of its influence.

China has had an important role within the global economy since 1978 both as a manufacturing country and as market but, its role and influence is also determined depending on the place it has in the production chains. The importance of having a clear understanding of how production chains and the price of raw materials work, as mentioned by the academic and business consultant, is essential. The cases of developing countries where China has created its own structures for its benefit by affecting the local population and economy badly like the case of Laos where the border turned into a tax paradise for Chinese companies and gambling, show what an anonymous source explained, that China like any other country would seek an advantage and that developing countries should not expect to be equal to China in terms of receiving a major share of benefits.

This argument was also endorsed by another anonymous source who explained that strategic associative relationship in the context of China-Mexico relations just constitutes wishful thinking. The source argued that to build a strong bilateral relationship, it is necessary to keep continuous contact and exchange, as well as building trust between both parties. Trust and reliance on each other constitutes one of the main weaknesses that has jeopardised bilateral relations, as Mexico has not given China the place and priority the latter expected. A bilateral relation in good terms got hampered by disagreements, incidents and even gestures with officials. The source for instance, explained that Chinese officials have the peculiarity of having a good memory and currently, trust is still eroded between both countries because of incidents like the way President Calderon received Chinese officials and the problem with the high-speed train, both explored further in the next and the last chapter, respectively.

There are additional cases that have also hampered and even fuelled negative stereotypes that prevail in Mexico from China and Chinese people, such as the cases cited separately by a diplomat with eight years of experience in China and two anonymous sources who explained that trust between both countries got further hindered by serious incidents regarding Mexican passports. Mexican citizens have access to one hundred and thirty countries without immigration controls or visa and also enjoy a preferential access to the United States. These sources reported that there are reports of Mexican passports being falsified and ads circulating online that promote paperwork for getting the passport in China. One of the sources reported that acquiring citizenship constitutes a means to exercise economic statecraft, as Chinese overseas serve as a bridge between Chinese companies and the overseas community. Therefore, thanks to 'Guanxi' (term used in China for labelling relevant social connections related to the obtaining of benefits in the future and regarded as relevant in the context of Chinese culture) it is easier for companies to enter the country through another Chinese with local contacts.

China is now using its financial weight with confidence aimed to become a world power through its economic influence to gain diplomatic support, invest its resources, promote its currency and guarantee the access to the resources it needs (Krauss and Bradsher, 2015). In view of China's participation not only as the largest oil buyer but also as a market with an increasing demand out of consumer needs, the oil and alternative energy consultant expressed that due to China's increasing demand and importance within the relevant markets, trust is difficult to build when states like Russia own and manage energy resources and hydrocarbons. The issue of countries that do not have a similar political ideology to the West managing or being resource-rich as shown by the cases of the Middle East or Venezuela, constitutes a problem in practical terms and China from this perspective, is not the exception. Mexico has several domestic problems related to safety, trusting government institutions and poverty that are not present in the developed world. Mexico however, considers itself as being part of the West because of the shared commonalities in its legal codes and political system with other western countries. This self-image constitutes the origin of the perceptions towards China and Chinese as 'the others'.

There are government officials or civil servants within the public sector who are aware of these existing issues with trust, as this either encourages or undermines interaction. The economic and investment analyst from PEMEX emphasised that the lack of interest to expand to China in terms of trade activities, the issues with dumping and cultural barriers worsen both misconceptions and existing differences. Nationalism and the way China is portrayed as distant and non-reliable from the Mexican side play a major role within cultural differences. Except for economic affairs, and due to the perceptions of 'the other', China has not been widely discussed in media outlets but if it is, people interpret and perceive it differently according to their own knowledge.

The role and influence of China in key markets has also grown and has had negative impacts on trade surrounding energy, capital and industrial goods. Mexico has a strong iron and steel sector that comprises one of the main actors within economic policy. China's SOEs through government support possess a competitive advantage in terms of production costs and the quantities produced. China's position as a producer and consumer gives the country a privileged position in the sector and therefore, leverage. The Head of the Chamber of Iron and Steel industries, Guillermo Vogel, explains that giving China the market economy status is a serious concern due to the distortions within global markets of steel that have generated exponential flows of exports through unfair practices (El Financiero 2017, p.4). These actions, like in any other market where countries are stakeholders, have a strong impact on the prices of iron and steel.

The use of unfair practices to China's advantage has a competitive advantage on the short term but on the long term, it is unsustainable due to overcapacity. In view of these advantages, China has a source of leverage within the industry because as Vogel explains, the industry is subject to operate with losses and puts competitive companies who operate according to market rules, in a risky position. Chinese iron and steel companies therefore, possess a large share of control from the global iron and steel industries thanks to government subsidies. Since China has an imbalance in domestic consumption and production, exportation of iron and steel surplus represents an urgent matter to address overcapacity. Apart from satisfying domestic needs for resources, China is also seeking to satisfy other urgent matters in the country at the expense or the benefit of others.

Cornejo (2013, p.66) explains accurately how these issues enhance distrust and misconceptions, as both domestic and foreign politics serve as a singular sphere in which to construct and transmit perceptions. A banker emphasised that cultural differences represent a major obstacle for both government and business sectors due to the major importance of non-verbal signs, such as business practices and the perception of cost-benefit. The interviewee emphasised that understanding these perceptions requires further knowledge of the Chinese counterpart. Specific events such as the cancellation of the high-speed train, or the quarantine of Mexican tourists in China during the AH1N1 virus crisis, and the lack of interest in China's initiatives such as the Belt Road Initiative, require more than willingness to strengthen relationships.

Despite efforts invested in forming partnerships and signing agreements, a knowledge and cultural gap persists between the expectations and objectives of the government and the negative perception from the private sector. The particularities of Mexico on the domestic ground have hindered the success of Chinese economic statecraft. The cases of Dragon Mart (2015) and the failure of the High-Speed Train Mexico City-Queretaro (2014) represent two representative cases of misconceptions and distrust and, due to their complexity and multiplicity of actors and agencies involved, these cases are discussed in detail in the eighth chapter.

Perceptions from the business sector

The role of companies represents one of the essential elements within the equation of economic statecraft as in the case of China, they serve as the carriers for political ends. Proving this theoretical assumption is challenging due to the complex agency of these economic actors and their relation to the state, as this varies according to the country and the sector. In the case of Mexico as shown above, there is a clear distinction between the public and private sectors not only in how they perceive China but also in their perceptions of policy that should be adopted to interact with it.

The importance of perceptions towards the role of the state in the economy and its presence within companies reveals that despite the distance factor, Mexican academics and businesspeople from all sectors in the country are concerned towards the implications of the Chinese state using state-owned enterprises as key to overseas expansion through infrastructure projects and loans. The scheme of state-owned or state-managed companies however, as explained by an economist from the Ministry of Finance and also emphasised by a business and finance journalist, is not entirely unfamiliar in Mexico because the oil company PEMEX has a similar scheme to that of state-owned enterprises in China, as the Mexican state-owned company has a politician and an engineer as the main heads.

There is a gap between how the Mexican government interacts with key sector companies and how the latter interpret, perceive and adapt to policy, as opposed to China's SOEs where companies are part of economic policy and a tool of foreign policy. Mexican companies from this perspective have an independent agency and in terms of foreign policy, serve as representatives of the country through trade, but except for the state-owned PEMEX and the Federal Commission of Electricity (Comisión Federal de Electricidad), Mexican companies have no subsidies from the government. The role of companies thanks to globalization has become increasingly important in terms of both domestic and foreign policy, as companies are key actors of economic activity and generators of wealth and employment.

The role of companies as policy-carriers and as relevant actors for policymaking is an important component of economic statecraft as explained in the fourth chapter. China, therefore, is using SOEs to address both domestic and foreign policy needs because these entities have become a means for domestic growth and development but also for overseas expansion. These companies constitute a major source of employment and since the government has presence and control within their management, SOEs can also be used for policy ends. The presence of the Chinese state within infrastructure projects and loans as illustrated in the fourth chapter with the cases of France and Germany, represents a major concern for other countries, not only for Mexico.

In Mexico however, the role of companies is rather related to profits and overseas expansion not necessarily attached to government policy ends. Since the presence of government-controlled companies is a known phenomenon in state-led growth and development, countries that have a market-driven economy find challenging the equation of state-controlled companies expanding overseas. These companies carry a complex and sometimes unknown business models and plans added to the existence of support and subsidies coming from the government. Nevertheless, and regardless of the economic and political system where the key factor is the role and intervention of the state, companies and businesses have an important role in policy-making as the main agents of economic activity.

Importance of companies and business sector in policy-making

China and Mexico manage their economic policy differently, and one of the major differences is the role of businesses and companies in Mexico and the one they have in China. Since the private sector in Mexico is one of the strongest in terms of role in policy-making, a major stakeholder and the main generator of productive employment and wealth, the interviewees expressed common points on the matter. Mexican companies are rather independent in their internal structure, as except for PEMEX and opposed to Chinese companies, there is neither presence nor representative of government officials in the top posts, therefore businesses and companies have objectives of their own. Nevertheless, there is a widespread awareness regarding China's companies in general, not only state-owned ones, as related to the government regardless of their nature as private or public entities.

In terms of perceptions, an academic and business consultant explained that companies have a 'social role' as employment providers and generators of wealth. In view of their objectives of expansion for commercial and profit purposes, he emphasised that companies also play a relevant role in preceding diplomatic relations or other type of bilateral approaches, as in some cases companies that come from different jurisdictions present the initiative to unite regions. Companies therefore help countries to build economic relations that can be translated to diplomatic ties or trade agreements and in the case of China's business sphere, apart from profit, it also implies policy ends due to their close ties with the government. Chinese businesspeople he explained, shape their vision through nationalism as from his perspective, they manage themselves through 'what they can do for China instead of what China can do for them'.

In any country, businesses and companies constitute key actors of economic activity and turn into important actors for policymaking. The oil and alternative energy consultant expressed that companies do have a relevant role in policy making as generators of both wealth and employment. Increasing purchase power of a country constitutes a source of power and influence therefore he added that in the current era, China illustrates the tendency for states to become more economic than political entities, as there is an increasing awareness of purchasing power as an essential element for both economic and political stability on the long term.

An advisor from the Ministry of Economic Affairs explained that businesses and companies have a major share in domestic affairs because of their position as employment and livelihood providers, as they have an essential role in economic development by providing people with the means to increase their purchase power and improve their quality of life on the long term. Businesses and companies are also subject and vulnerable to changes in the government and policies, as implications affect not only the public in general but also those actors involved with the economic environment. Therefore, as the interviewee mentioned, whilst addressing the importance of the agency in businesses and companies, a major problem in the current era is intergenerational change, because decisions can lead to a reduction of company size and investment depending on the company's priorities.

The role of the state as the provider of the necessary conditions to encourage and enhance economic growth and development within the framework of a market economy is essential. The economic and investment analyst from PEMEX explained that the business sector undoubtedly has an important role within the development of a market economy, as it is the main source of employment, investment, goods and services. The interviewee confirmed the responsibility of the government to guarantee a suitable environment for economic activity, as the state has an important role in developing the private sector through creating and implementing economic, fiscal and monetary policy aimed to strengthen the economic environment and favour growth. These actions secure the existence of competitive markets and offer a suitable legal and normative framework for both domestic and global contexts.

In terms of their influence on policy, as explained by a business and finance journalist, businesses and companies also face the responsibility of pressuring the government to create an adequate environment that enhances competitiveness, development, productivity and entrepreneurship. The interviewee emphasised that a major challenge in this task is creating an environment that encourages fairness in an open economy. In this regard, as mentioned by the PEMEX economic analyst, pressures coming from businesspeople and companies are also reflected on intra-regional negotiations. In the case of NAFTA for example, private companies and chambers from the three countries (Canada, Mexico and the United States) have held meetings to analyse and implement additional agreements and negotiations to counter or reduce the effects in case the United States decides to withdraw. Despite shared similarities in economic and government systems, these complications entail risks for the three countries therefore a similar agreement with China would require additional transparency to avoid misunderstandings.

Mexico and China have different approaches for enhancing and promoting an adequate environment for successful economic activity, each in their own way, as a banker explained that opposed to the model in China where companies and government are combined into a single entity and the state represents the main provider of employment, companies and business are expected to play a major role in policymaking and not to serve as a counterweight to government policies, as development is a joint task and a common objective in any country. In the case of Mexico however, the private sector constitutes the main source of productive employment. The interviewee emphasised that the government generates a different sort of employment, as bureaucratic work has a different function within a country's development.

Mexico finds its major source of employment in the private sector, as companies constitute the main actors in terms of job opportunities. The proportion of people who work in companies, small and medium enterprises constitute more than half of the total of the productive workforce, whilst in the case of government jobs, bureaucrats constitute around 3 million people (INEGI, 2017). Creating jobs and opportunities remains a responsibility for the private sector and the government acts as a policy regulator by giving the conditions for economic activity. In the case of China, the government through SOEs serves as an enhancer, promoter and also as the second most important means for the people to have a job either in the country or overseas therefore, SOEs also serve to solve the domestic policy concern of providing people with job opportunities.

Enterprises in general are important economic actors, as the PEMEX Head of Division for Oil Exploration explained, as all companies play an important role depending on the sector, therefore each economic sector presents its complexities and challenges, and the oil sector is no exception. In the case of emerging technologies, he explained, they are expanding and welcoming diverse players. Core industries such as oil and steel have procedures of extraction and production that are the same regardless of the country, which has also provided the blueprints for a plan to encourage these industries with low costs. China has been able to produce processed steel and petrol as well as capital goods such as machinery.

The interviewee confirmed the advantages of China on the matter by mentioning that the energy sector is more 'standard' in the sense of moving expatriates from one location to another (inside/outside China) and heavy industry and machinery is gaining momentum, as those capital expenditures result in cheaper figures if coming from China. The country has found a source of leverage in improving its standards and keeping prices down at the same time as a few years back, he mentioned, Chinese heavy industry was facing a lot of discredit because of the lack of quality control, but that has been changing and Chinese are now more oriented to meet the international standards.

Inside China's strive for internationalisation, as explained by an anonymous source, the Chinese government has implemented an effective strategy in which it has focused on getting to know and testing different markets throughout the globe. State-owned companies and Chinese overseas have served as the best means to explore markets, have the required knowledge and build Guanxi to enter other countries. The government therefore is accomplishing its policy objectives on the long-term by taking advantage of these companies for the benefit of its projects. The source argued that the use of SOEs as policy-carriers and its rigid rules of funding and project guidelines serve as the blueprints of government policy for internationalisation, as except for projects with private participants, these are common elements in most of China's projects overseas.

In general, there is a strong link between policymaking and the role of companies and businesses but, whether the latter can serve as a means for political objectives is possible according to the interviewees. The strength of this link however is also determined by the proximity of the company to the state. In the case of China, this relationship is multivariable, and it depends on the sector but the nature of SOEs and their hierarchical structure and the presence of government-appointed officials indicates a strong involvement of the state, therefore policy guides and objectives have a strong influence on these companies due to the interdependent character of the government-SOE relationship.

In the case of Mexico, businesses and companies with overseas activities act independently and are profit seekers. They do have the role of representing Mexico overseas but not in terms of policy as opposed to China, where both policy and profit are coupled. One of the interviewees, an economist from the Ministry of Finance explained that in terms of state-business relationships, leverage and subsidies, the issue with China is not in the banking sector as such but the fact that debtors and users of these funds are owned or have co-ownership with the government, which is reflected on the microeconomic level and entry barriers faced by foreign companies.

The use of subsidies in general entails a risk for both the company and the receiving country, as the latter moves to a position of disadvantage out of insufficient funds, as there is no alternative to these 'bottomless' sources of income. These companies, the economist continued, operate under nearly permanent financing schemes and present questionable outcomes and results, as the general rule says that if a business does not generate enough utilities, it goes bankrupt but, this rule does not apply to these companies. In line with policy directives, SOEs not only move their operations outside of China for profit and competitive reasons, but also because it is pivotal for China to keep its economy moving.

The interviewee emphasized that these companies are following the policy line of maintaining the cash flow, and for this reason they are looking for 'spaces' overseas to put their products or services. China due to the attractive costs of its products and services, finds developing countries as suitable clients. Companies in China and large SOEs in particular, as explained in the last chapter, receive support from the government to seek profit and comply with policy ends, which is also reflected in the fixed conditions, cheap credit plans and single entity investments.

The role of companies as policy carriers opposed to their assumed role as profit-seekers is an essential component within economic statecraft. While SOEs expand overseas for market reasons, the presence of government officials in these companies and the origin of their funding sources as state-sponsored turns fulfilling policy objectives an essential part of their activities overseas. The question of agency around SOEs as argued in the fourth chapter is a complex notion due to the involvement of both state and private actors both from the business and legal perspectives.

Interviewees agreed that companies can be policy carriers, but the scope of their activities and their actions vary according to the government and the sector. Government intervention to enhance or promote development and improve quality of life for the people is not a new phenomenon. A banker and an economist from the Ministry of Finance explained that the government has a major role in formulating the best policies for an adequate economic environment, but this intervention has a limit. The experiences of the Soviet Union, Cuba and Venezuela however have shown the disadvantages of having a state-led economy. Governments, as the banker explained, are not good at managing companies and controlling economic activity by themselves but have major responsibility through policy to provide the facilities for development and economic growth.

In the context of China due to the urgency of maintaining cash-flow and the prevalence of cross-border nationalism where 'Chinese are Chinese' regardless of their location, an anonymous source explained that business people and companies take government guidelines seriously, and that thanks to the presence of government officials inside companies, they can control, interrupt or veto business activities. Government intervention in economic activity represents a potential risk not only in terms of policy, but also in terms of long-term implications such as the creation of bubbles or enhancing the creation of monopolies. Companies can also become powerful actors within the domestic environment and serve as interest groups for policy drafting and implementation. The academic and businessman explained that in some cases, companies can also serve as policy-drafters and referred to the case of Hong Kong where the legal framework and policy take trade and economic activities as a priority.

The internationalisation of SOEs however, is also determined by both company and government strategies therefore the government also plays a role of guard by managing the price of raw materials within China, controlling the entry of foreign companies, providing subsidies and regulating market competition. A business and finance journalist explained that China constitutes a case of 'state-guided capitalism', which can be a problem for other countries due to the presence of subsidies and the risk of not having fair conditions for trade activities. The role of local laws and rules is also relevant either as an enhancer or an inhibitor of economic statecraft, as the interviewee emphasised that China is expected to follow local laws and regulations, like in any other country, but state-guided objectives plus subsidies causes a problem for the receiving country as it would be put into disadvantage.

China's investment appears as attractive for most developing countries where institutions and domestic regulations are rather subject to government approval or intergovernmental agreements or are ignored completely. Ventura and Meléndrez (2016, p.42) explain that the low amounts of Chinese investment in Mexico are related to some extent, to China's FDI model that is focused on direct assignation determined by intergovernmental agreements. This investment mechanism goes against the Mexican legal framework and ignores that Mexico is not a raw materials exporter. The cases of Dragon Mart and the high-speed train show that local laws and the agency of actors who enforce or implement them must not be overestimated. The practical problem of China's projects is that since these are designed by the Chinese government using policy as a guideline, it is unlikely that the receiving country changes the conditions as these infrastructure initiatives present themselves as inflexible.

In addition to the problem of subsidies, evidence shows that there is also a question of SOEs obeying local laws and regulations from the receiving country. China's presence in developing countries has been subject and facilitated by the responses from local governments, as in some cases companies have enjoyed impunity to some extent, particularly in countries where authorities have not addressed abuses or problems caused by SOEs. In the case of Angola, Guinea Conakry, Myanmar and others, for example, Chinese conglomerates have been able to operate successfully thanks to opacity and lack of transparency coming from government officials (Araujo and Cardenal 2011, p.148).

The role of local governments and political elites is essential for the success of economic statecraft, as they are an important stakeholder and have a major role in decision-making processes. Issues and misunderstandings arousing from the failed projects between China and Mexico such as the train and Dragon Mart come from China approaching government elites to facilitate agreements or trade deals. Two anonymous sources emphasised that relations between SOEs and local elites are of great concern for the country due to the risks entailed, as it encourages corruption. Government officials such as Minister Teresa Solís are also concerned of the impact caused by incurring into illegal means to operate in the country either through bribes or using Guanxi for tax evasion or trafficking of species. The last chapter discusses the role of the local political elite in encouraging the participation of a Chinese SOE in government biddings and the scandals caused by the participation of private individuals in supporting Dragon Mart by ignoring environmental standards.

Companies as policy-carriers and other sources of leverage

Companies and businesses from the perspective of a market economy, are assumed to be economic actors whose activities are destined towards profit and expansion, whereas in the case of centrally-planned economies, companies are aimed towards profit but also towards achieving self-sufficiency for the country in question and subject to government control. Despite the contestation and debates around giving China the market economy status, the scheme of state involvement in economic activity has been a constant throughout history in some countries but as Miranda (2018, p. 2) mentions, the concept of 'state-driven market economy' is an oxymoron, as a market economy cannot be, by default 'state-driven'. Moreover, activities performed by businesses and companies are also determined and moved by market forces. Consequently, and as globalization connects markets and states, these actors are increasingly affected by economic forces and laws.

The role of companies as policy-carriers is not limited to the accomplishment of government objectives or seeking profits but also to the impact they have on other states through their activities. In the case of China's SOEs, their role as policy-carriers and their activities has been a subject of constant debate and different assumptions regarding the role of the state. Nevertheless, considering the cases of the Soviet Union or Venezuela, this kind of involvement as explained by the economist from the Ministry of Finance, is not new. The interviewee explained that what China is doing is neither new nor unique, as governments from many world powers have encouraged this type of policies and that apparently, economic policy is not intertwined with institutional policy, but reality proves otherwise.

The novelty offered by China's current model is that the country is using a market approach to the outside while keeping communism on the inside. The idea of 'Socialism with Chinese characteristics' can be interpreted as a model where capitalism is being used to satisfy needs at home at the expense or the benefit of others while keeping control and maintaining stability through communism. China's model therefore as explained by a banker, is different in terms of development models used in the West as it implies different customs and habits.

During the post Second World War, the United States expanded its influence through ideology and military means, while China practices pragmatism with financial tools using the 'win-win rhetoric' and it does not seek to impose its beliefs on other countries, but it has clear objectives and strategies to pursue them. Araujo and Cardenal (2011, p.174) explain that from the perspective of the receiving country, the new 'world banker' provides an unbeatable alternative for the short term to build infrastructure projects, with an attractive plan for financing these projects that is low cost and efficient. China also benefits itself from countries that do not seek to undergo restrictions coming from international standards for social welfare or environmental protection behind the 'non-intervention' argument.

The banker emphasised that the Chinese government creates policies and uses companies to accomplish policy objectives by subsidising them through loans and encouraging them for internationalisation, as opposed to Mexico where private companies grow and expand overseas by their own means. The business and finance journalist warned that on the one hand, the state is not supposed to direct companies, but on the other, it is supposed to create the best policies that favour development and contribute to public welfare. Therefore, it is necessary to encourage a fair environment for companies without subsidies and other financial instruments as otherwise, the state encourages monopolistic practices.

In the case of Mexico for instance, PEMEX has a similar structure to that of SOEs in the sense of having a politician and an engineer on the top posts. The logic of this however, is that the former watches over political affairs whilst the later oversees company functioning but roles are separate. In the case of China, politicians are the ones who either watch over the company or design company objectives according to the government's guidelines, therefore, in SOEs the roles are presented as related or mixed. In view of these complexities, discussing the role of companies as policy-carriers and the implication of the presence of the state in business and economic activities is essential.

The tendency of emphasising the economic aspect of China-Mexico relations is recurrent in both the existing literature and the mindset of both civil servants and government officials. There is also a tendency to downplay both the political side of economic interactions and China's agency, reflected on what an academic specialised in China-Mexico relations named as superficial knowledge of what underlies China's interests. This superficial knowledge results in a scarce awareness of economic statecraft as such but, in the academic and business sectors, there is an awareness and increasing concern regarding the implications of the presence of the state in a company.

China using economic statecraft as part of a long-term plan is a reality according to an academic and businessman. The interviewee argued that economic activity can be politicized, and companies can be used as the instruments to pursue policy objectives and that China is using its capital to do so. China possesses the relevant means such as technology and know-how in the political, industrial and trade realms with 'Chinese characteristics' that evolve and adapt according to the context. This strategy is aimed, he argued, towards consolidating a stronger presence and the government justifying its legitimacy. The interviewee emphasised that China is interested in attracting other countries through an apparent change of discourse, but as seen in the 2017 Plenum, China showed that it is a global actor that is not willing to compromise its interests.

There are other sources of leverage, such as the number of people and the size of the market and, that China has become one of the major consumers of natural resources. The oil and alternative energies consultant emphasised the financial aspect and domestic workforce professionalization as a source of leverage. China has acquired such influence on the global financial system that its currency, the Renminbi is now included in the currency basket of the IMF. The increasing inflow of Renminbi is due to an increase of acquisitive power in China and the amount of Chinese people around the globe who are increasingly managing trade operations in Yuan. China's government has taken advantage of this, as argued by the consultant because the government has stated that trade activities and transactions should be carried out in Renminbi instead of USD because the leading role of the American Dollar in the currency market has been decreasing due to economic crises.

Thanks to the nature of oil as a raw material and its high degree of volatility, the problems caused by the American Dollar as the global exchange currency poses a threat and an obstacle to China's economic transactions. The interviewee also argued that China has an inherent leverage on world affairs due to demographic reasons, so government investment for improving the quality of domestic workforce is a part of an integral strategy that encompasses having enough energetic resources, increasing acquisitive power and possessing a strong base of knowledge as part of their capital as the main axis for continuous growth. China keeps on being dependent on foreign direct investment due to its role in feeding domestic growth and it has been growing around 2% year by year (Trading Economics, 2018) for this reason it cannot push too hard on its partners. The interviewee warned that despite the potential of Chinese capital in the context of support for SOEs, foreign direct investment keeps on being an important source of income in China therefore, the importance of protecting these investments should not be overlooked by the Chinese government.

The presence of China and a large population of Chinese workers in nearly all major industries has implications in terms of leverage, as a consultant specialised in Mexico-China oil deals explained that China's leverage within an economic sector has the potential to enlarge due to the chameleonic nature of SOEs. The case of oil companies where some are contractors and others are operators, ownership of the platform is a major source of leverage that can be enforced if most of the workers are Chinese. An anonymous source explained in detail that China maintains both input and output of capital in hands of Chinese and that its partners are just a means to keep investment and resources flowing continuously into China. The source explained that Guanxi constitutes the centre of this system, as Chinese overseas regard the interests of China as more important than those of the receiving country.

Evidence shows that alike nationals of other states, there are many Chinese traders and business people who hold different passports or dual nationality and therefore serve as the connection point for mainland Chinese to do business in that country, as the Chinese residents overseas are assumed to possess the information and knowledge about culture and local legislation. The source explained that most mainland Chinese applying for permission or a visa claim to have an acquaintance or a contact in the other country with whom they plan to do business. Apart from legal implications in countries where migration rules are strict like in Mexico, there is no benefit for the receiving country as mainland Chinese build trade links with other Chinese.

Araujo and Cardenal (2011, p.55) offer the alternative concept of 'transnational nationalism' to frame and explain the relevance and implications of Guanxi outside of China. The authors claim that attachment to the motherland and Chinese culture turn into the elements that bind together Chinese people overseas regardless of their location. Overseas Chinese people, as argued by these authors and confirmed by an anonymous source, do not forget about their people and their motherland by sending remittances to China or supporting their fellow nationals in the receiving country.

There also cases in which the applicants ask about whether the visa or permit can be avoided by using other passports. The network of Chinese businesses operating through these means, according to the source, has its roots on the government's objectives illustrated by the arguments given by the visa applicants where they are told to expand trade networks. The source named this interaction as 'controlled mirror model' in which there is no difference between the economic and political realms, as both co-exist through a 'mirror' in which the government is present within all companies and institutions. These interactions entail a complex problem of agency for the receiving country and constitute a challenge not only in terms of trade but also of legislation. There are cases in other countries where Chinese have used the second nationality to their advantage at the benefit or the expense of the country. The source added that for example, the case of tensions between Australia and China are due to the awareness of the former regarding the magnitude of intra-Chinese trade and the consequences this entails, as these activities have no benefit for the receiving country.

Implications for the local economy

In view of the different concerns raised by the business sector regarding the presence of the state within companies and their role as policy carriers, the amount of imports (17.7% of the total in Mexico) coming from China prove that it has a source of leverage and that it is a notable economic player inside the country. Chinese imports have important participation as raw materials to produce complex and final goods such as steel and technology products. The convenience of using Chinese imports in the form of parts to produce other goods is based on cost and availability.

Despite the literature about economic statecraft being nearly divorced from economic indicators and market practices, the role of the latter should not be ignored. Strengths and advantages from economic statecraft are largely determined by trade indicators held between the sender and the target. The sender must have the advantage on the target in terms of trade balance to exercise economic statecraft and get the expected benefits. In the case of China, leverage is not reduced to bilateral trade relations but also in terms of China's clout in different markets and how this affects other countries on the domestic level.

Economic logic dictates that markets are expected to regulate themselves and that the role of governments is to provide adequate conditions for economic activity to be carried out successfully. Government intervention in the economy however, apart from incurring into unfair practices, it influences industries. There are mechanisms such as anti-dumping and raising tariffs that intend to reduce the effects of these actions but, continuous government intervention and subsidies can give leverage to a country within a sector on the long term by affecting the prices of goods.

A business and finance journalist explained that the impact of subsidies is a matter that must be taken seriously due to the consequences for the receiving country. China uses its economic capabilities to find new markets and create partnerships, but opposed to the receiving countries, China uses these advantages to set up its banks and companies and for sending Chinese workers. Therefore, since China possesses such capabilities, some countries, the United States among them, have showed scepticism and reservations, as the expansion of Chinese capital is a source of concern, as the receiving country is pushed to uneven conditions to compete. These measures cause the bringing of competitors to bankruptcy or reducing their presence on the market on the long term. An oil consultant expressed that there are serious concerns regarding the possibility of a single country, moreover a government achieving such leverage to decide the price of oil or any other good on the global market.

The relationship between economic indicators, unfair trade practices and economic statecraft does not seem unlikely when applied to the context of a single government controlling or having a strong influence in terms of a global market and its implications for other states, not only for trade partners. The relevance of such matters, increase in the highly volatile and sensitive markets of raw materials. The case of controversies between China and Mexico within the context of the steel market, one of the most important in the country, illustrates this relevance.

The convenience of parts and steel made in China has not gone unnoticed by local producers as according to Head of the Division of Foreign Trade and Exchange from the Confederation of Industrial Chambers, there has been a widespread discontent for the entry of Chinese steel and other raw materials used to produce final goods instead of using those produced by local companies. This preference is related to the increasing costs of raw materials produced in the country, where producers and manufacturers have preferred to reduce costs, giving China an advantage over local producers of raw materials. The main problem within the steel industry, the Head explains, is worldwide overcapacity that distorts global markets that produces a high volume of imports. These issues are caused by government practices and policies that can damage and affect industries on both global and domestic level, which entails unfair practices and gives leverage to the country in terms of deciding and determining the price of goods.

The steel sector is one of the most affected by China's low production costs and constitutes a relevant target of economic statecraft, as infrastructure projects are built with Chinese steel and other building materials. Miranda (2016) explains that China's positioning as the largest producer within some industries has little to do with 'comparative advantages', as in the case of heavy and labor-intensive industries, the labor cost is a marginal factor. China is the largest steel producer and the largest importer of coal, iron, and scraps but presents deficiencies in its production due to the high costs of transporting these materials.

The steel sector, among others has a unified concern regarding the implications of the possibility of a single country controlling the prices and trade of steel on the global level, as this would imply a considerable leverage on companies. The heads of the steel industry in Mexico listed below present a common concern regarding the consequences entailed by China's business practices that relate to economic statecraft exercised by gaining leverage in the sector that ends up turning strong or significant enough to impose prices. Currently, China is the largest producer of steel on the global level, as its production has seen an annual increase from 2 to 3% since 2017. The highest peak during 2017 achieved nearly 80 million tons out of 148 produced globally, which accounts for 14% of the global production of steel. Thanks to overcapacity, data shows that it has decreased to 2.7% of the total of world steel production with 80 million tons for 2018 (World Steel, 2018).

Raúl Gutiérrez, Head of Deacero company argues that China's anticompetitive practices through subsidies, dumping and a currency undervalued through manipulation, have allowed the country to produce half of the global production of steel (El Financiero 2017, p.10). These practices constitute a serious challenge mainly because China can displace other competitors through illegal means and most importantly, thanks to government intervention there is an oversupply of steel. The implications of the state subsidising steel producers in China could effectively push other steel producers and gain leverage by controlling the sector.

Máximo Vedoya, Head of Ternium company emphasises the role of the federal government in terms of protecting the interests of local producers in the form of banning unfair trade practices or at least mitigating them (El Financiero 2017, p.12). China addresses overcapacity by sending its exceeding production either through trade or infrastructure projects to other countries due to the lack of domestic demand. Unfair trade practices distort the price of steel and undermine growth and expansion efforts from companies involved in its trade. In terms of addressing overcapacity at home, Víctor Cairo, Head from ArcelorMittal, warns that China has not decreased its massive production of steel, which entails a risk for global steel prices and companies, as the demand of steel from emerging economies has remained stable since 2015 (El Financiero 2017, p.16).

Armando Lozano, Head of Villacero, explains that Mexico has a comparative advantage in terms of higher quality standards and an adequate framework for quality control. The slowing down of the Chinese economy has caused an excess of installed capacity for steel production and an oversupply for the product, therefore Mexico has the pressure of diversification and quality improvement. The difference between quality standards not only in goods but also in environment regulation, represent a perspective watershed between Mexico and China, as the latter has stricter controls and represent an issue of implementation. This is discussed further in the seventh chapter.

José Antonio Rivero, member of the administrative council from Autlán, addresses the use of ferroalloys as a raw material to produce steel, where product quality is an important aspect. Leverage exercised by a country in his view, is not reduced to the final product only, but also within the production and value chains. Illegal imports of ferroalloys have increased exponentially and have achieved worrisome levels therefore the global industry of steel has been affected in terms of price and quality (El Financiero 2017, p.18). China's clout in the sector through subsidised steel companies and massive production has impacted Mexico on the domestic level. Rivero emphasises the role of the government in banning and creating measures to counter unfair trade practices, as they also serve as an obstacle for promoting free trade agreements with China and other Asian countries.

China and Mexico share the commonality of industrial sectors regarded as a priority with the difference of the latter not having government intervention and support. This similarity deepens the gap between consolidating bilateral relations and the intention to do so, added to Mexico's scepticism towards the role played by the Chinese government in these industries. China nevertheless, poses a broader challenge in terms of economic complexity as despite having a diversified economic activity, access to its market remains restricted and conditions to do so remain stringent.

Fabricio Menegoni, Director of Gerdau Corsa, explains that Mexico has increased its economic complexity thanks to its character as an open market economy. Investment therefore, has increased in important sectors such as construction, heavy industry and infrastructure. Menegoni suggests that Mexico provides certainty for investors on the long term and that the country has the capabilities to provide global infrastructure services and participating on projects elsewhere. China, despite its amount of resources raises concerns regarding the conditions of infrastructure projects, and the contracts, and the position of the receiving country apart from long term conditions, maintenance, etc. This is further explored in the next chapters.

Government support therefore, constitutes the hidden advantage to these companies and in the words of Mexican business people, China's main strength. The issue of unfair trade practices and how Mexico has intended to defend from them added to concerns around competitiveness have also served as mechanisms to avoid a stronger Chinese presence in key industries such as oil and steel. Mexico's flexibility in accepting new trade partners implies that compared to other cases in Latin America such as the case of Argentina and Venezuela, China is just an additional option instead of a priority.

The way China regards developing countries as raw materials providers and in the case of Mexico as connection points for trade destined to the South Cone, is coherent with the core-periphery vision where China regards itself as the center. An anonymous source claimed that opposite to what has been said regarding China conducting a different approach to Latin American countries compared to their approach with Africa, the essence remains the same. China, the source explained, acts as a mercantilist state that seeks to 'tie' its trade partners to satisfy its demand for raw materials and extend its support network on the process.

In view of differences between domestic realities in developing countries and other added factors such as opposition from certain sectors, Mexico does not consider a free trade agreement with China as an option on the long term despite the increasing interest of the latter. The role of the government in business and economic activities however, constitutes a contentious issue for democracies because in some cases the business sector blames the government for not investing efforts in building trade networks or improving domestic conditions. An anonymous source was highly critical of the Mexican business sector by explaining that taking the United States as the main market and as a priority is a symptom of comfort zones and to the attitude of taking for granted that the federal government will be solving technical issues for them.

The official discourse towards China has practical problems due to domestic opposition and ignorance out of what is expected in return, turning the 'strategic associative relationship' into high-blown rhetoric that does not move beyond from being a concept. Ambassador Ventura explains that the sudden rise of Chinese products in the country caused discontent and distress in both consumers and producers, moreover because the profile of these exports has been evolving. Chinese exports have been moving upwards in the productive chain by turning themselves into intermediate goods (Garibay 2013).

The sudden flow of Chinese goods into the country, according to an anonymous source, was expected but not taken seriously. The source explained that Mexico had ten years to prepare for China's effective entry to the WTO and did not take the necessary measures to counter the presence of Chinese goods. Mexico instead of trying to gather knowledge about the new member, stuck to its manufacturing industry. The country has a problem of long-term vision reflected on not giving importance to diversification, as the local business sector has given priority to the United States as the main market and China surpassed Mexico as the main source of imports.

In view of the complexities faced by each sector, disagreements and differences between Mexico and China are also related to the different concept held by each country towards issues that are essential for trade, such as regulations around quality and environmental standards. The academic and business man argues that a free trade agreement with China, apart from hurting Mexican small and medium enterprises, there would be multiple issues with implementation. China's free trade pacts, he argues, present environmental standards that are usually lower than those Mexico agrees to.

The case of Dragon Mart illustrates this difference perfectly, as the most notable sources of evidence against the project came from environmental organizations and the environment regulation organ from the federal government. The controversy of trade as a vehicle that determines environmental impact and climate impacts is raised elsewhere in Latin America, as the weaker enforcement of environmental laws and licensing has been associated with countries trying to attract foreign investment or expedite infrastructure projects. The cases of Argentina, Ecuador and Venezuela are representative in terms of environmental impact, where costs would exceed benefits moreover in the case of Argentina where there were plans to build a nuclear plant.

This argument was endorsed by an anonymous source that claimed that implementation issues and risk of a free trade agreement with China would increase with the Chinese-overseas network, as companies would have a wider range of options and facilities in terms of logistics and legal frameworks for exchange and trade operations from the country to China and vice-versa. Authorities therefore, have a complicated task of creating regulations through implementing a 'minimum quota' of business operations where domestic companies should be involved in these 'free trade' operations.

Ambassador Ventura adds that a free trade agreement is not inside the agenda of any of the two countries, as the priority relies on broadening interactions for improving integration between the two countries (Opportimes 2017). The need for a wider political dialogue is essential mainly because Mexico's presence in China is scarce, and for this reason to give China more space in the country for economic activities, there is an emphasis on China granting Mexican products an easier access to its market. China however, presents a challenge in terms of reciprocity, as it expects developing countries to give the facilities for its products and projects to enter other markets and wishes to get involved in the value chain.

In terms of the local business sector possessing actual knowledge not only from China as partner but as a market, an anonymous source explained that Chinese people are complex in terms of consumption patterns and preferences. Despite attempts and intentions from government officials overseas to push or facilitate the entry of Mexican products into China, the short-term vision from local business sectors, according to the source, has also been an additional source of problems between both countries, as entering into a complex market like China and consolidating presence there requires patience, capital, knowledge and a Chinese partner. Chinese consumers give priority to product characteristics and aspects unknown to Mexican companies, where status and the type of package for example, constitute a key for Chinese clients.

China has different product and quality guidelines which constitute a challenge for some Mexican producers, as sanitary protocols for food exports constitute an additional expenditure and have required that instead of negotiating a free trade agreement, both countries have decided to negotiate each product individually. The Mexican government, as explained by an anonymous source, seeks a greater presence in the Chinese market but Mexico expects to be treated by the counterpart on equal conditions. Since Mexico has had successful experiences in its trade relationships with South Korea and Japan, it seeks to replicate the same model with China. The problem however, relies on China not having the same system as the other two countries and the knowledge gap that persists between both countries.

Mexico also has a problem in terms of logistics, where the existing infrastructure in some maritime ports is insufficient for economic activities or the means for transportation are expensive. The source explained that companies, thanks to the distance and reliance on the United States have become used to the use of airplanes to transport goods, but in the case of sending goods to China it is more cost-effective by sea. Therefore, Mexico has a problem of supply capacity. The source explained that Chile and Peru on the opposite, have improved their ports and companies have been encouraged to trade by sea. These two countries, therefore, have a stronger presence than Mexico in the Chinese market despite the distance and the time spent to transport goods.

The academic and businessman endorsed this argument by explaining the relevance of the role of foreign policy as an adequate means to improve trade but for Mexico it is not always the case. Unlike China, companies and business people in the country find opportunities to expand overseas by themselves instead of the government and, after they consolidate their presence elsewhere, they look for support. Trade activity in the country, therefore, is not a task exclusive to the government but also to the private sector, therefore through foreign policy, the Mexican government is also expected to find spaces for Mexican businesses and companies to expand overseas and provide the adequate conditions for further interaction with other countries through different means such as negotiations and treaties.

This chapter noted the relevance of Mexico from the perspective of its position as a relevant actor in the region and how this has permeated the country's domestic priorities. Mexico's position as the neighbour of the United States, and as the connection point towards Central and South America makes it an attractive destination for China from the geographic perspective. Distance and similar economic profile comprise one of the major obstacles for successful interaction with China as it enhances the lack of knowledge further hindered by China's entry to the WTO.

Mexico's reactions through anti-dumping measures and a business sector dominated by reservations and defensive postures within the major economic sectors (oil, industry), has resulted in both a major awareness of China's use of economic statecraft, and widespread concern regarding the role of Chinese government behind economic expansion that goes far from being beneficial for developing countries, which as stated in the last section of this chapter, have turned out to be China's preferred targets. Perceptions from businesspeople show that concerns and reservations around China's expansion strategy are similar regardless of the productive sector. There are additional variables, such as cultural and linguistic similarities that make Mexico attractive for China as Mexico has been an active participant in multilateral initiatives in the region and is the second largest economy in Latin America. Mexico's foreign policy from this perspective is a relevant component in enhancing and hindering bilateral relations with China and is discussed in the next chapter.

Chapter 6

Mexico's foreign policy principles: An obstacle for China's influence

Mexico's foreign policy in the context of China-Mexico relations to the moment of writing (end of 2018), has served as a major tool for managing China from the perspective of strengthening friendship rather than accepting China's terms and presence. Mexico has a long history of global activism and is a strong supporter of international law and common causes such as human rights so, this chapter focuses on Mexico's foreign policy as a major enhancer but also an obstacle for China's effective presence in the country by analysing the clashes during a sensitive issue such as the visits of the Dalai Lama and how Mexico has used its foreign policy principles to manage China.

Mexico takes the 'non-intervention' principle as seriously as China, with the difference of the Mexican people having a wider margin to criticise the Mexican government. Foreign opinions regarding domestic issues are not taken lightly neither by the government nor by the Mexican society and in the case of China's reactions towards the Dalai Lama visiting the country this chapter explains that reactions during that time were not the exception. Additionally, the chapter explores a major component that complicates and hinders bilateral relations and China's presence in Mexico compared to other developing countries: sharing the border with the United States.

Mexico formulates foreign policy depending on the domestic context in terms of addressing economic or policy needs. The country before 2000 has presented a pattern of neutrality and continuity in the way it directs and relates itself to the outside world, as except for specific issues such as bilateral relations with the United States, the country has a deep-rooted sense of sovereignty, a strict adherence to international agreements and is a strong advocate of international law. During the years before 2000, consistency was the rule because the government remained in the hands of a single political party and foreign policy priorities remained constant regardless of who was the president.

Later, from 2000 to 2012, foreign policy with President Fox and President Calderón during this period had a different approach by prioritizing North America instead of the rest of Latin America, which brought clashes with countries who have regimes that are opposite to Mexico's concept of democracy, such as Cuba and Venezuela and of course, China. President Enrique Peña Nieto (2012-2018) came back to previous practices and intended to give the same priority to all regions but, this task has become increasingly difficult out of the domestic and international circumstances as interactions are determined by other factors such as proximity and relevance.

The essence of Mexico's foreign policy and the principles mentioned above, are contained in the Estrada Doctrine that represents one of the major symbols. This doctrine discussed below, is particularly relevant in the context of Mexico-China relations and due to its core principles, it provides and adequate explanatory framework that justifies Mexico's actions, decisions and perceptions towards China in specific issues such as the visits of the Dalai Lama and its position towards the One China Policy as an important part of China's domestic policy but not as a choice to be imposed on other Latin American countries.

Mexico and the Estrada Doctrine

Foreign policy in Mexico is one of the pillars that have made the country gain some reputation on the regional and global levels. The postures taken on most issues can be explained through the Estrada Doctrine, created by Genaro Estrada who was the Minister of Foreign Affairs in the 1930s. In summarized accounts, the doctrine promotes non-intervention and the country reserving the right of sending or summoning diplomats from other countries whenever necessary, without judging the country and its government. The Estrada Doctrine has been followed in general, nevertheless out of its emphasis on the issue of non-intervention external critiques are an issue for Mexico as much as they are for China. The difference relies on how the government reacts to these critiques, as Mexico out of its treaty network and position as a signatory of all international conventions, is subject to scrutiny from the international community and more vulnerable to coercion.

The diplomatic environment in the country as stated previously has been characterized by an open support for initiatives regarding peace and security despite the complexities of Mexico's domestic environment. Mexico holds a similar perception of self-determination, sovereignty and non-intervention of that held by China therefore, the latter is not able to exert diplomatic pressure as efficiently as in other countries. Mexico has been a strong advocate of human rights and freedom of speech, despite the precarious situation of the former in the country. Additionally, Mexico tends to be open to criticism and recommendations coming from the international community in general depending on the issue. China on the opposite, presents a tendency to regard critiques as interference in domestic affairs moreover when these critiques are targeted towards sensitive areas such as the situation in Tibet and Xinjiang.

China has intended to operate its economic and financial instruments through the principles of no political conditions attached and of non-interference. In practical terms, whenever the target country is involved in an issue that is of China's interest such as the Tibet or the Taiwan issues, China's reactions go further from the principle of non-interference. Mexico during the 2000s showed that there is a clear limit between domestic affairs and China's interest, as it has balanced between having commercial ties with Taiwan, receiving the Dalai Lama and still acknowledge the One China Policy. The decision to 'manage China' as explained by three anonymous sources, has given flexibility to the bilateral relation, as instead of building a relationship based on economic dependency, Mexico has chosen to give priority to reciprocity. China's partners and neighbors however, have illustrated that the non-intervention principle has a cost depending on how much domestic policy decisions affect China's interests.

China's economic power as shown in the cases of Japan with the Senkaku/Diaoyu dispute or the case of China's reactions towards Lotte and banning tourism towards South Korea, illustrates how a domestic security concern targeted at North Korea was interpreted by China as an aggression. The input or withdrawal of capital and economic pressure has the potential to influence on politics and constitutes a contradiction to the principle of non-intervention and a potential risk for bilateral relations. There are issues that can be relevant to China, but the other country might not regard or perceive such interests as a priority except in cases where interdependence is high. There are specific situations that impose a limit to which China can exert influence, being the case of the Dalai Lama one of the most representative ones.

Despite China's warnings of the consequences that entail receiving the Dalai Lama, some countries ignore these statements and from this perspective, Mexico presents a strict adherence to its own foreign policy principles mainly for two reasons. The first is that China is not a strong partner whose presence is significant enough to influence Mexico's decisions as opposed to other countries, and the second is the wide-spread acceptance of the Dalai Lama in the country. In view of the importance of the issue for China, Mexico's actions are limited to welcoming the leader in the country but not taking any stance on the official level, as this would represent another dent in the bilateral relation with China.

Despite official positions however, two of the severe incidents with China came from the visits of the Tibetan leader in 2004, 2011 and 2013, currently remembered by Chinese officials. The stances taken by Chinese diplomats and representatives before these two visits were different to the reactions post 1990s after China became a global power. China's protests to the visits of the

Tibetan leader after 2001 show that economic power exerted through financial instruments can be used for coercion, therefore China's reactions caused by either the visits or the support to the Dalai Lama reveal that foreign policy has become more assertive and defensive.

The visits of the Dalai Lama in 2004, 2011 and 2013

Mexico acknowledges Tibet as part of China and it is adhered to the One China Policy, as it does not recognize Taiwan. However, there is trade and exchange with the disputed island and, the Dalai Lama is regarded as a spiritual leader and he keeps on being received despite China's annoyance and protests[1]. This, although not substantially, has impacted relations and agreements between the countries[2]. Compared to the previous administration, awareness of the consequences of disrupting China is increasing, as President Peña was interested in strengthening ties with the Asian country.

In Mexico the Dalai Lama is a popular character and has a long history of visits to the country. His visits have been mostly related to religion and teachings despite of Buddhism not widely practised in Mexico, as the predominant religion in the country is Catholicism. The Dalai Lama has entered the country in the status of Cult or Religious Minister and not as an official or as a Head of State. Mexico endorses the One China Policy but is a strong advocate of human rights in multilateral fora therefore, freedom of thought, speech and religion constitute an essential right for Mexicans. The Tibetan religious leader enjoys widespread popularity in the country mainly because of his messages and his teachings. Civil servants and government officials from different levels also respect the Tibetan leader and have met him during his visits.

Since the Mexican government and immigration authorities have not put any restriction to the visits of the Dalai Lama, perceptions from his visits have varied because there is a strong support for Tibet in the country. Some activists have claimed that the main reason behind Mexico's reluctance towards taking a stronger stance against China's actions on Tibet is that the federal government has preferred trade and economic relations that have not been entirely beneficial for the country. Nevertheless, an anonymous source explained that on this topic, China is just being managed therefore the argument of 'hurting the feelings of the Chinese people' is not taken that seriously in Mexico.

[1] In the last visit to Mexico in 2013, the Dalai Lama went to three cities: Guanajuato, Querétaro and Mexico City.
[2] The local newspaper Unión Guanajuato stated that 'China requests its trade partners to not receive the Tibetan leader because he is considered a separatist and even exercises direct political pressure' (Unión Guanajuato, 2013).

Additionally, the interviewee explained that China's reaction of pressure and wariness towards the Dalai Lama has a clear historical background. In previous stages of China's history particularly in the case of Tibet in the 1950s and 2008, social revolts had a religious component as belief underlies a part of the Tibetan resistance. Therefore, apart from the geostrategic importance of Tibet for China, religion as an essential part of this movement constitutes an alarming sign due to previous revolts. The issue of social stability is essential for the Chinese government and, the of China as a 'paranoid' and as an authoritarian state is a widely spread image not only among the interviewees but by the public in general. Romer Cornejo (2010, p. 125) explains that added to the reports of the media where the public has defined China as a totalitarian state, some consider that China is a global power and that this new position entails additional challenges for the country, such as managing sensitive issues.

Reactions and actions targeting the presence of the Dalai Lama in other countries are not reduced to communiqués and declarations from Chinese embassies, as in all cases the Chinese community overseas is also involved by supporting the Chinese government's protests. An anonymous interviewee explained that China manages its overseas community through the 'controlled mirror model' mentioned previously, where all their actions whether related to business affairs or other matters, are approved and watched by government officials and civil servants also applies for the Dalai Lama case.

This model is relevant and has a practical dimension in the case of reactions and protests from Chinese immigrants or locals in any country visited by the Dalai Lama. Chinese overseas have a problematic agency, as the fact of them being away from China does not imply that nationalism, government guidelines and national interest are not present in their agendas. The interviewee explained that their self-imageof them being Chinese is above their agency as Chinese overseas residents. Propagandistic control influencing the overseas community either residents or companies, therefore, is an additional and useful means to implement economic statecraft.

A diplomat with experience in China explained that one of the most notorious characteristics of the Chinese government is a constant state of 'paranoia' that permeates all levels of the country. Social and regime stability, as explained in the second chapter, constitute the main reasons for this behaviour and have remained as top priorities for the party due to their importance as preconditions for economic growth. The figure of the Dalai Lama and the role he has had in Mexico except for the problem of President Felipe Calderón receiving him officially, has remained constant. There is a difference however, in how he is perceived as a religious leader and his role as a political leader.

Government officials alike the Mexican society, regard him as a charismatic leader who is admired for his teachings and perceptions towards values and the role of values as secular and not necessarily related or inherent to religious doctrine. Despite official rhetoric of 'Tibet is a part of China' accepted and respected by Mexico, interviews with government officials revealed that alike activists, they have turned out to be empathic with the situation faced by minorities in China, as for some of them the way these minorities are treated reveals a reality that is not tangible for distant countries like Mexico but is alarming. A diplomat explained that despite Tibet is miles away, the presence of Tibet House in Mexico City shows that awareness of the situation in the region has increased. Mexico has a strong support for human rights, freedom of speech and also freedom of religion, which in China's terms constitutes a different perspective of the Tibet issue.

Activists and advocates for the Tibet cause in Mexico City have expressed that the government cannot take a strong stance on the issue because of the relevance given to trade affairs between both countries. Government officials and anonymous sources from the sector however, explained that there is a gap between managing China on this issue and the lack of awareness of the issue. Official discourses, therefore, acknowledge the One China Policy and respect China's stances on the Tibet issue but, from the top-bottom perspective, government officials are aware of the problem in Tibet and some of them like the Dalai Lama.

In some cases, out of China's economic presence in the country, there have been serious statements coming from China effectively voicing out its disagreement with the Dalai Lama being received, being the case of South Africa during the 14th Nobel Prize Summit of 2014 a recent one. China pressured the African country to deny the visa to the Tibetan leader through threats of investment removal if he was granted the visa for visiting the country. In some visits out of concerns from government officials and leaders, the Dalai Lama has been received in academic institutions, and in the case of Mexico since universities enjoy a degree of autonomy, he has been welcomed to deliver conferences.

Romer Cornejo gave a different perspective of the role of the Dalai Lama as a reason for China to get involved overseas beyond the economic sphere. The academic explained that universities in Mexico, such as the National Autonomous University (UNAM) have been welcoming the idea of having a Confucius Institute and that the reception of funds has an impact that is palpable during the visits of the Tibetan leader. The presence of the institute, according to the academic, has resulted in a low profile during his visits and that there has been censorship or little information towards the issue of Tibet.

Nevertheless, the Dalai Lama has not been the only visitor related to the cause of Tibet in the country, as the political representative of Tibet Lobsang Sangay, has visited the country and delivered talks in various Mexican private and public universities with and without Confucius Institutes. Universities in Mexico up to the moment of writing (2018), as opposed to the cases of universities in the United States, have not allowed the institutes to get involved in the teaching of China's history or have had any interference in academic programmes except for language courses.

Tibet as a picture of long-term economic statecraft and China's weaknesses

The issue of Tibet and how it has been evolving since the 1950s presents an accurate picture of China's economic statecraft but on a micro level, as Tibet was also 'industrialised' for the sake of 'development' and under the 'win-win' discourse. While the situation has remained static in terms of Tibet being a domestic issue, the model of a place with natural resources being attractive for a power that offers development and welfare for the locals but turning out otherwise is the same China has implemented in some developing countries. Apart from the issue of human rights as a constant source of criticism towards China from the West and other countries, Tibet shows that a world power can have its internal weaknesses.

A diplomat explained that understanding the issue of Tibet gives a glimpse of China's apparent strength that can be turned into a weakness on the long term. He explained that the figure and the potential of the Dalai Lama are underestimated by the Party and that some specific events such as the role of the Dalai Lama's brother Gyalo Thondup in his low-profile visits to China during the 1990s have fuelled the government's paranoia of the situation in Tibet. The diplomat explained that Gyalo's presence in Tibet caused a widespread reaction of surprise among the Tibetan people that shocked the government, as officials took for granted that Tibetans have changed since the Communist Party assumed control of the plateau. Key events such as the massive uprising in Tibet before the 2008 Olympics have caused the Chinese government to create a strategy that tackles the issue of Tibet through the arguments of non-intervention and respect to sovereignty.

Despite the commonality regarding non-intervention and self-determination between the two countries, the Estrada Doctrine is particularly useful when analyzing, for example, the posture Mexico takes when the Dalai Lama (always as a religious leader) visits the country. In 1989 he was received by President Carlos Salinas de Gortari, when China was still distant. Later in 2004 he was received by the First Lady, Martha Sahagún de Fox; he then gave a conference in the

Chamber of Deputies, participated in reunions with Santiago Creel, Secretary of State and with Andrés Manuel López, Major of Mexico City and current President, and with José Narro, Head of the National Autonomous University.

Mexico in its domestic policy regarding who is received in the country and on which conditions has a rather straightforward approach in general reflected on the Estrada Doctrine. The case of the Dalai Lama also shows a clear difference between the years in which China and Mexico had good relations as opposed to the period of 2000-2012. During the years of President Echeverria (1970s) until President Fox (2000s), the Dalai Lama was received but not officially and during that period, China was still in its development phase. In the years from President Fox (2000-2006) to President Calderón (2006-2012) however, there is a clear change in the attitude from the government to China and by extension, to the Dalai Lama.

Inside the country, there have been strong criticisms towards the attitudes taken by the Heads of State for their reluctance to receive the Tibetan leader not only by activists and the public, but by other civil servants as well. President Vicente Fox for example, was heavily criticized for not receiving the Dalai Lama personally by Jorge Castañeda, Minister of Foreign Affairs during that time (2004) using the Estrada Doctrine as an argument. During Fox's mandate, there were other problems with Chinese diplomats out of the declarations of the President due to the reactions of the Chinese Ambassador, Ren Jingyu during that time regarding Mexico's welcoming attitude with the Dalai Lama.

Later, in 2011 President Felipe Calderón received the Tibetan leader in the official residence, which triggered a strong reaction from the Chinese Embassy and the cancellation of an exports agreement. One of the interviewees explained that during these years, the Dalai Lama incident constituted one of many committed by the president and other civil servants, as it was during his mandate that the protocols were not followed and when President Xi Jinping during his time as a vice-premier, was left waiting in the hallway for President Calderón for almost an hour. The attitudes of officials towards their Chinese homologues have deepened the existing dents in the bilateral relation.

The attitudes towards receiving the Dalai Lama however, are not likely to change on the long term because the Tibetan leader is on the third place on the polls on the most popular person in Mexico (Alto Nivel, 2018) and because the interviewees reported that China is not in the position to make any claims on the matter to Mexico. Minister Teresa Solís explained that Mexico's foreign policy must not and should not be subject to other interests, as it has deep rooted values that remain the same regardless of the context. Nevertheless, and like in any other diplomatic relation, there are topics that can be perceived sensitive by the other party therefore it is essential to possess knowledge of these to impose limits to China's demands. A banker emphasised the priority of considering China's priorities in its agenda regarding these topics and addressed the implications of misunderstandings, as these topics are interpreted differently by the Mexican counterpart and could have a negative impact within bilateral relations.

Mexico's stringent line towards foreign opinions

The case of the Dalai Lama from the perspective of how it was perceived by Chinese officials in the country and how Mexican officials reacted to the statements made by diplomats illustrates that Mexico, like China does not take foreign criticism positively depending on the issue. Mexico has also been criticised by international organizations and by non-governmental organizations due to the problems caused by corruption and most notably, by crime impunity. Despite Mexico being a strong supporter and a signatory of Geneva conventions and other mechanisms for protecting human rights, domestic reality shows otherwise.

The civilian population has been targeted and deprived of their rights not only by Mexican authorities but also by criminal groups. The years after the outbreak of the Drug War, disappearances and abuses have been widely spread practices that have been condemned and denounced by activists, the media, journalists and the public. Nevertheless, when critiques come from other chiefs of state or foreign NGOs or officials from other countries, they do not go unnoticed by Mexican officials and by the people.

The case of China's presence in South Sudan for example, has been controversial on the grounds of supporting authoritarian governments or dictatorial figures which in the end are state actors or, are somehow related to the state-apparatus but, in the case of Mexico organized crime and cartels are non-state actors that have an entirely different scheme. If the Mexican government has not been able to control this problem using military force, China's investments are unlikely to deal with these local actors whose nature is complex and unknown to the outside world. Mexico's domestic environment is more complicated than those in other developing countries, as these non-state actors are a threat to both national and foreign persons regardless of their position or their economic capabilities.

Mexicans are highly critical of domestic affairs and of government actions in general, but whenever these strong critiques come from the outside, authorities overreact and sometimes escalate the problem to diplomatic actions by expelling foreign officials. The cases between

China and Mexico exchanging either critiques or declarations go beyond discourses, as during the 2000s there were other crisis before the Dalai Lama that involved both actions and words. During the Severe Acute Respiratory Syndrome (SARS) epidemic in China, Mexico put a team of forty Chinese athletes into quarantine in 2003 and then in 2009 China put an entire plane with Mexicans in quarantine during the epidemic of the AH1N1 in Shanghai. Perceptions from the public in Mexico in both cases, as explained by Romer Cornejo were heightened thanks to the reactions from the press and from the presidents Vicente Fox and Felipe Calderón. China's anger originated out of the positions held by the people who issued the statements, as they were Heads of State.

Neither Mexico, nor China are openly tolerant towards critiques coming from other governments but the precedent cases of both countries exchanging actions and declarations reveals similarities on this matter. Another crisis in the recent years where Mexico expelled foreign diplomats was with Venezuela in 2007 out of the exchange of words between President Fox and President Hugo Chávez where the latter labelled the former as 'a puppy who served the (American) Empire' (BBC Mundo, 2005). The crisis achieved its highest point when the Fox administration expelled Venezuelan diplomats and Mexican diplomats left the Embassy in Caracas. Later, both countries held private talks regarding the events during the Summit of the Americas, where President Chávez addressed both President Kirchner and President Fox through personal attacks for supporting the initiatives of the United States for the region. The initiative consisted on creating a free trade are for the continent, to which Venezuela and Mercosur members did not regard as convenient for their interests.

Apparent Leverage and its implications

Effects of economic statecraft can be different and vary according to the circumstance, as economic activity in the case of Mexico is complex in terms of encompassing different activities and goods that go further from raw materials and not reduced to a single activity or a single sector as opposed to the cases of other developing countries in the region. Economic affairs in general are considered a top priority in every country so they cannot be ignored by the policy making process and policy actors. When a key economic sector gets seriously affected either by the nature of the economic cycle or external factors such as crises or bans, governments tend to act through policies and other regulation mechanisms.

Mexico is a large economy but except for specific cases, it is unaware of many policy matters relevant to China, such as the importance they give to sensitive topics such as Tibet and Taiwan, and the differences between business and trade practices. Additionally, Mexico is a non-conventional case that illustrates that China has a large gap between its material capabilities and its international influence. Mexico as mentioned earlier is relevant due to its presence within the developing world but with characteristics that are distinct from those that prevail in developing countries that are closer to China in the region. The presence of the United States is relevant but constitutes an independent variable, as Mexico has its own agency that has proved to be the main obstacle for China's successful influence in the country. This gap between capabilities and actual influence, as Goh (2016, p.26) mentions, is causing China to consider that there are great difficulties and challenges in converting growing material resources into preferred outcomes and policy shifts.

The presence of Chinese overseas and the size of their communities however, has a major implication that can constitute a means for enhancing economic statecraft, as an anonymous source explained, leverage can be generated and encouraged through the Guanxi networks formed between the mainland and overseas residents in the target countries. These networks however, have a limited reach and except for trade activities on the private level, in the case of Mexico it is highly unlikely at least for the time being, that these networks could have an impact on government affairs.

The importance of cross-border or transnational nationalism as one of the main drivers for members of the overseas community to help their government or their people or both in the receiving country, should not be overestimated. The source also explained that Chinese overseas keep on following government guidelines, policy objectives and keeping cash flow from companies to the country. These activities entail risks for the receiving country, as the role of these agents is not clear in terms of the objectives they wish to pursue overseas. There is a differentiated agency between Chinese members in overseas communities and companies, moreover in the case of the latter who can be profit-seekers but also policy carriers. Additionally, these activities targeted towards the benefit of China only raise questions regarding the impact to the receiving country, therefore local governments must respond to these challenges on the long term.

Dussel (2015, p.18) mentions that despite increasing economic ties, Mexico's need for an explicit strategy towards China is recent. This urgency of creating a new policy to improve relations between both countries is relatively new due to the 'diversification' policy from the federal government and for the need to look beyond NAFTA. The pressure comes out of the results from policies promoted by the Trump presidency and this urgency for diversification is natural out of the lack of prevision from Mexican authorities. Interaction with China, as opposed to the United States even with Trump, is filled with challenges that complicate any way forward, as Mexico has a severe structural deficit with China despite the imports of the former are capital and intermediate goods. Added to the obvious asymmetry, China's success is due to its market diversification, something that Mexico has not formulated yet.

The scarce investment of China in Mexico (1.33% of the total) (Secretaria de Economia, 2017) indicates that economic cooperation is still lagging. This low percentage is because of the domestic complexities which are either for historical reasons or differences between political systems. Mexico, as mentioned above, keeps on being a strategic market, a relevant route for trade, a connection point and a manufacturing country despite serious challenges and problems on the domestic level. China's interest showed through infrastructure projects has been undermined by their lack of understanding from the Chinese firms regarding Mexico's socioeconomic, political and legal framework added to other domestic complexities such as the role of corruption.

China is regarded as an emerging power and as an actor with increasing importance, but these two ideas are interpreted differently by academics, seen by the business sectors with precaution and as an opportunity by some government officials. Their perception is shaped by their experience and level of interaction with China, as in the case of diplomats due to their position, they give a general idea of the diplomatic and economic interaction and present a coherent argument that goes in line with the Mexico-China strategy guideline coming from the government. Both Ambassador Bernal and Ambassador Ventura give positive perceptions towards China's 'strategic associative relationship' which in their view will be positive for the country. Despite this positive feedback towards China's diplomatic discourse, there is an element of leverage in favour of China and leverage that would go against China's interest coming from government officials.

Economic interaction between both countries constitutes China's strength that could play against Mexico if the former finds its position threatened. The inherent presence of the United States as a top priority in terms of trade and security however, complicates the equation both directly and indirectly for both parties. In the United States, out of the current position of focusing on domestic affairs and the adoption of a 'looking inwards' strategy from the Trump administration, there has been a widespread concern from civil servants around the role of China finding an opportunity to squeeze into Latin America and expand its influence. There are practical obstacles however, that could hamper China's plans to consolidate its expansion in the region and in the case of Mexico, sharing the border of the United States represents a major issue.

Sharing the border with the United States: Practical implications

The United States has had a pivotal role in the establishment of diplomatic interactions between China and Latin America. In the same extent as each country in the region has a differentiated relation with China, the United States has had a different involvement with each country in the region nearly since the XIX century. The most known case of China's early involvement in terms of politics is Cuba, where ideological postures keep on being the common ground for both countries. The role of the United States as a regional power has changed dramatically since the end of the Cold War, where instead of ideological pressure, it started to build multilateral mechanisms that sought to enhance trade or create a safer environment in the region, particularly after the paranoia generated by the aftermath of 9/11.

The Trump presidency however, has shown the tendency towards isolation and seclusion out of the 'America First' policy therefore, China taking advantage out these circumstances is understandable and expected. Latin American countries, particularly Mexico however, have a differentiated relationship with the United States and not all are keen on neither ideology nor economic system. China has had success in countries that have been opposite to the northern neighbour in their approach to politics and economics, such as Ecuador, Venezuela and to some extent, Argentina.

Altemani de Oliveira (2015, p.55) explains that China has taken a more proactive role since the United States started to face economic and political difficulties. This shift in China's posture also implies a major presence and increasing interests, which according to the author, is reflected through the current tensions out of territorial disputes. Major conflicts should be avoided with Japan and the United States due to the relevance of economic interdependence but, in the strive for expansion China seeks support from developing countries under the premise of a Beijing Consensus a better option than the Washington Consensus (Altemani de Oliveira 2015, p.56).

In Mexico the idea of a Beijing Consensus is neither discussed or taken as the blueprint for a developing model, as Paz (2012, p.34) mentions, the idea of the Beijing Consensus has received modest attention in the region and makes the accurate claim that it is clearly incompatible with Latin American countries. Despite this argument having a component of obviousness, there have been opinions from Heads of State, particularly Cuba and Venezuela who claim that Latin American should follow the Chinese model. This is a far-fetched idea due to cultural, economic and social complexities inside each country in the region and most importantly, the historic conditions in Latin American countries that do not resemble those in China before and after the Reform era.

China has emphasised clearly and consistently the difference between its values and Western values and despite constant denial, it does strive for regional and global power to avoid being humiliated and suppressed like in the past (Paz 2012, p.59). The rhetoric of 'the century of humiliation' is embedded in China's foreign policy, as it clearly seeks to recover the status it had before the Western invasion. There is a gap however, between China's perceptions of turning into a power as 'something natural' as opposed to how other countries perceive it. Paz (2012, p.57) argues that global power status is not a matter of prestige and a strong influence only but also a matter of being acknowledged by others as such and assume the responsibilities that this status implies, like economic and political stability. Although China does not wish to assume such responsibilities, it is unavoidable due to its influence.

Latin American countries have acknowledged that China has become a power and consider it an option in terms of trade and financial assistance instead of the traditional instruments provided by the WB and the IMF. China's influence in Latin America has not been ignored by the United States, but there appears to be a common ground on the matter. Paz (2012) explains that Latin America as the 'US backyard' is not questioned by China. Through an institutionalized dialogue between the Asian country and the United States, the latter attracted the former with the intention of shaping Chinese activities in the region instead of containing or stopping them.

The problem of conversations between powers regarding other countries in the middle is the perception that if one country does not belong to the sphere of influence of one, then it belongs to the sphere of influence from the other, logic that China has applied to Mexico in the context of U.S.-Mexico relations. These conceptions of developing countries as entities that can be arranged and grouped as if they were entities without agency constitutes a problem for both China and the United States. Fernandez and Candano (2016, p.26) illustrate this matter through the example of China's perception regarding Mexico's denial to participate in the Asian Infrastructure Investment Bank. In China's view, Mexico did not accept to participate because 'Washington did not approve of it'. Mexico as argued by the interviewees, did not want to get involved out of the concerns of these loans and financial instruments being managed under a logic different to that directed by market rules.

China as expressed by the interviewees and as portrayed in the work of some authors in the region, considers that Latin America is Africa and that countries can be approached in the same way as it has with Egypt, Sudan Angola, Guinea Conakry, Congo and others. Shixue (2006, p.15) claims that China is just one of the economic partners Latin America has been trying to cooperate with and that US concerns over the closer relationship between the Asian country and the region is unnecessary. Powers have their own interests in their neighbourhood and overseas, therefore the presence of the United States in China's front yard with its bases in Clark (Philippines), Okinawa (Japan), Yongsan (South Korea) and others, has fuelled China's intention of strengthening its presence in Latin America at the expense of the local population, who in specific cases such as Ecuador and Peru, have expressed that the United States was a rather conscious partner compared to China.

The United States however, has also given a small contribution to the negative perception coming from Latin American countries towards China, as a diplomat explained, misconceptions towards China not only in Mexico but in other Latin American countries has been built and strengthened by the United States. The diplomat said that the perception of China as an economic threat and as an enemy started to expand to the south and later got heightened after Mexico and China clashed in the WTO. Ventura and Meléndrez (2016, p.35) explain that bilateral relations experienced a deep transformation because Mexico was stripped of the advantages it had inside the U.S. market and saw an increase of Chinese imports into the country. In terms of power politics however, the equation has a different result as two sources emphasised that in the case of Mexico, China could serve as a counterweight to the influence of the United States. This constitutes one of the pivotal reasons behind the reluctance of Mexico towards the presence of China within the relevant infrastructure projects. This geostrategic importance of China as a counterweight is discussed in the next chapter.

Countries where China has had successful government partnerships and influence have become targets of economic statecraft as Altemani de Oliveira (2015, p.65) explains, China obtains significant advantages out of cooperation by guaranteeing the political support from non-developed and developing countries in international forums through the reinforcement of the One China policy and other matters. This support for China in multilateral forums however, is entirely different from choosing China as a preferred side because for some, it only represents an additional source of income and provider of infrastructure rather than the best choice for a partner, or in some cases it is just a better option compared to the United States and Europe who have ideology and legal standards.

The history behind United States-Latin America relations has a share in enhancing China's success in the region thanks to its negative impact in some countries. History shows that since the XIX century, the northern neighbour has been closely involved in the affairs of the rest, causing discomfort to the locals through the support of dictators (Nicaragua) or blockades to its ideological opponents (Cuba). In view of the historical legacy left by the United States between invasions and intrusions, Strauss (2012, p.154) states accurately that China has an advantage due to its earlier lack of purchase and relative failure in Latin America has meant that as it 'arrives in', it comes with a presumably clean state.

Consequently, China's lack of previous entanglement in Latin America makes it very attractive from a distance, especially in comparison to the enormous historical baggage that the United States carries in the region (Strauss 2012, p.154). The crisis faced by the United States has built a breathing space for China to open spaces in Latin American countries, moreover in those that are compatible in their political system such as Venezuela, as Oviedo (2015, p.16) mentions, the shift of attitude of the northern neighbour towards less intervention in the region has opened spaces for China. In terms of power politics and zones of influence, the author claims accurately that China's presence in Latin America is a political means that seeks to counterweight the influence of the United States at least in Asia, as South Korea, Japan, and the Philippines for example, are part of China's 'front yard'. The intensity of the presence of these two powerful countries vis-à-vis their zones of influence is different in extent and in nature, as China's presence is rather located on the economic realm whilst the US presents an approach focused on defence and security.

Latin American countries can find a strategy through China as the means to balance or counter the influence of the northern neighbour, as Paz (2012, p. 33) mentions, the goal of Latin American countries to overcome the US hegemony or mitigate it, finds an opportunity when a new power arises and challenges the United States. Pervasive anti-Americanism has always provided a beach head for challengers but, Paz warns, it should not be equated with a pro-China position. Anti-Americanism however, is not the same in every country of the region and the intensity of it has been different throughout time. Colombia and Mexico who are of the closest allies for the US are more prone to present an inclination to support the northern neighbour instead of favouring China. Bolivia, Venezuela, Cuba and Ecuador on the opposite, have a stronger stance towards the United States out of their strong anti-imperialist rhetoric and postures. Favouring China or strengthening relations with it is rather determined by additional factors added to finding a counterweight or a further alternative to the United States.

The United States is an inherent part of regional and continental politics but along with Canada, it is clearly excluded from China's initiatives in the region. The practical implication of trade deficits however, can have a negative effect for China's plans of influence and expansion in Latin America, as the United States is a rather predictable and known partner. Paz (2012, p.34) mentions that on the long-term China's importance in world affairs and economy will be correlated with more room to manoeuvre on the side of Latin American countries but warns that paradoxically, the increasing trade deficit and trade frictions vis-à-vis China could push countries closer to the United States. Oviedo (2015, p.19) proposes that instead of falling into an interaction like the one given during the Cold War, a balance between choosing partners is more suitable. Mexico's approach of regarding China as an additional option for diversification constitutes the best approach, as it is not about developing dependency or entering the zone of influence of another power but rather about increasing trade networks.

Mexico as argued earlier is a key actor because of the position it holds in both North America and Latin America. In the case of the former, it serves as a connection port of trade and a security hub for the United States, as most goods exported to North America go through Mexico. Haro (2006, p.169) explains that Mexico and the United States have a fluid bilateral relationship, where integration contributes to decentralisation in matters that are not entirely controlled or regulated by the governments of both countries. Since trade has increased since NAFTA, both countries have additional agreements and treaties for selling and transporting different kinds of goods such as tuna. These agreements are intra-industry and governments do not intervene except in specific or exceptional circumstances.

In view of the clashes between Mexico and the United States under the Trump presidency, there has been a widespread debate regarding China taking the position of the United States not only in regional terms but also on the local level. The role of the latter as a trade partner or as a political ally is not the same as its role as a direct neighbour, as sharing the border has further implications and entails additional risks and challenges. Mexico has the advantage of proximity to possess a wider knowledge about the neighbour, and for the same reason both countries have integrated well into intra-regional trade. Since both countries depend on each other for trade, they must cooperate in matters that are of mutual interest, such as border security and regulations for cross-border activities.

The interaction between Mexico and the United States is characterised by its fluidity and its interdependence, therefore interacting with the latter through the former constitutes an advantage for trade activities. Added to the knowledge both countries hold from each other, the geostrategic position and geopolitical importance of Mexico to its neighbour serves as the main argument and restriction for China to increase its importance for Mexico and strengthen its presence in the country. In the same way as the presence of Japan and the historical clashes determines some aspects of China's foreign policy on defence, trade and security, the United States also plays a major role within Mexico's foreign policy in trade and homeland security affairs.

Mexico therefore, is not in the same position as Argentina, Brazil, Chile or Venezuela, who have a stronger relationship with China in terms of trade, as these countries are more distant, have a different economic profile and a different geostrategic position. In the case of Argentina and Venezuela, the presence of China through SOEs owning or participating in the food and oil extraction industries and these countries also incurring into loans, constitute cases of strong dependency with China. Mexico however, cannot get away from its own position as the land between two culturally distinct regions and its geostrategic relevance.

An anonymous source explained that China cannot and must not be considered as a top partner or as the means to compensate the freezing of relations or trade restrictions with the United States. It is convenient to strengthen relations with China but in terms of an additional option for diversification and not as the priority for economic relations, because as stated above, Mexico cannot get away from the role it has in geostrategic and economic terms in North America. Nevertheless, and for the same reason, China's interest in Mexico as a trade partner is increasing but bilateral relations cannot be tailored to China's expectations.

The source explained that depending on a single trade partner on the long term entails a risk. China therefore, will not solve Mexico's problem with the Trump administration as around 80% of the country's exports go to the United States whilst China accounts for nearly 1%. Additionally, exports to China have declined in absolute terms during the past five years. Bilateral relations therefore, are to be constructed on the long term rather than on the short term. This view is also echoed by Enrique Dussel, who explains that Mexico started to pay attention to China after Trump had 'bullied the country' and that the country is not prepared in both institutional and economic terms to have a long-term relationship with China, as there is a lack of knowledge from basic aspects such as the profile of the Chinese consumer and sanitary regulations (El Pais, 2017).

Mexico's profile as China's direct competitor within the United States constitutes an additional major disagreement with China, as exports coming from the latter are alike to the ones from the former. Mexican exports therefore, have an added value and constitute one of the major differences with other Latin American countries, as stated by some of the interviewees. The fact of both countries having a similar economic profile and the strong emphasis on manufactures, complicates bilateral interaction. In sum, China could benefit itself from the presence of President Trump to gain space in Mexico but, this strategy is short-lived as the current U.S. administration is not permanent and there is skepticism from the Chinese side towards the reliance on the Mexican government (El Pais, 2017) discussed in the next chapter.

Distance as the main source of misconceptions

Geographic distance constitutes one of the most important if not the main, reason for both countries to hold an intermittent contact and generate patterns of interaction that have changed dramatically in less than fifty years. China and Mexico, as argued in the previous chapter established diplomatic relations in 1972, where contact was limited to trade and high-profile visits during the term of President Echeverria. Mexico until 2000 had a continuous pattern in its political environment with the presence of the same party for seventy years, which represented continuity in terms of policy. The political environment in the country however, changed dramatically after years of having the same party and the same people in power, which meant a turn in foreign policy. Apart from the increasing presence of China on the world stage, this came as an additional obstacle during Mexico's transition to a political system different to the one that prevailed for seventy years (1930-2000).

China's presence in the WTO served for Mexico to realise that being an important trade partner of the world's most powerful economy cannot be taken for granted and that globalization provides opportunities but also challenges like the ones brought by China. Consequently, for nearly ten years and still today China became the object of attacks not only from the business and manufacturing sectors, but also by the public in general. Romer Cornejo explained that the way China is perceived by Mexicans has been fuelled by both the media and by clashes between governments, where Mexicans perceive Chinese as a non-reliable partners and the latter perceives its counterparts as non-reliable and unpredictable (The Diplomat, 2017), moreover after the cases of the high-speed train and Dragon Mart.

Mexico has represented a hard case for China out of the similarities in their economic profiles but also as a case where serious miscalculations ended up in costly mistakes, therefore the agency of domestic actors should not be overestimated. China's approach and strategy has worked with other developing countries where the economic system has a different source of income, and governments work differently, and the role of the population is subordinated to the government in the sense of the absence of a strong civil society that could counter the collateral effects of China's presence.

In the case of Latin America, looking at the cases of Ecuador and Venezuela for example, the variable of a political system that is akin to China's ideology, the open Anti-americanism and the tendency of political elites to remain in power for long periods of time, represent strong arguments that work in favour of China. The economic system in each country also constitutes another relevant variable, as in the cases of Angola or Myanmar for instance, the presence of a command economy is a notable characteristic in these and other countries with which China has had successful trade deals and businesses. Societies in developing countries have a complex agency and from the perspective of economic statecraft, they either work as stakeholders or as in the case of Mexico and other developing countries, as the collateral victims of China's presence. In most of the cases, local populations have turned into victims and governments the receptors of the major share of benefits.

Mexico has had combined effects as a result of China's presence in the country. The current government has intended to improve the bilateral relation, whilst the business sector has reservations and has expressed openly that it rejects further Chinese involvement, and then the public has mixed views, where depending on the issue they either support or reject China. Perceptions and reactions from the public have either been of support when the United States is being surpassed by China or of rejection when environment degradation or the violation of intellectual property are present.

Evidence shows the difference between the role of an active civil society in Mexico as an important counterweight for China's activities as opposed to other developing countries where their capacity to react negatively is curtailed by their own government. In the case of Dragon Mart for instance, pressures regarding environment concerns came from activist groups and public opinion. In contrast, in Myanmar where the local population has suffered severe health problems related to jade extraction in the mines (Araujo and Cardenal 2011, p.152), the role of the military junta as the main receptors of the benefits and in encouraging Chinese investment, makes domestic opposition unthinkable and costly.

The cases where China has been able to manage resources and operations easier has to do with having the right contacts within the political elite but also with geographic distance, as in the case of places like Myanmar and Laos where proximity is an advantage, relations are more manageable. China and Mexico still must build stronger ties that imply a better understanding of domestic variables such as governments changing in Mexico every six years and bearing in mind that perceptions and the importance of China and other countries for Mexico are subject to change depending on the circumstances. China is considered an important actor on the global level and a power but opposed to the place it has achieved in other developing countries, it is highly unlikely that it will be regarded on the same level as the United States or Japan. China therefore, just constitutes an additional option for diversification.

Relevance of the agency of domestic actors in economic statecraft

The cases of Dragon Mart and the High-speed train further explored in the next chapters prove that the importance of domestic actors who have their own interests and agency is crucial for the failure or the success of economic statecraft. The political and social environment of the target country, as mentioned in the section above is also relevant, as emphasised by interviewees regarding Mexico's economic profile and its peculiarities regarding the management of deals and agreements in the country. Despite Mexico belonging to the category of 'developing country', the circumstances and requirements needed for further development in the country are not the same as those found in African countries.

China's strategy in African and Asian countries has presented a pattern of similarity in the sense of the actors involved, where there is an SOE, a Chinese policy bank and the political elite. Developing countries could have common characteristics, but in some cases domestic reality is rather complex. In the case of Mexico for instance, it is possible for companies coming from Japan, the European Union, Canada or the United States to invest or get involved in biddings out of the guarantees given by the Mexican legal framework or by binding conditions agreed in trade agreements between the involved parties. Mexico has also adhered to international laws that establish a standard for investment and banking guidelines, therefore the condition of Mexico as an investment destination is not the same as the one held by Sudan or other developing countries.

The political elite in Mexico show a pattern of continuity in terms of the people who are involved with political parties but, since the domestic environment does not remain static, sometimes when the party changes, the political environment changes. The complex dynamic and the implications of political power being divided into three major forces is further explored in the next chapter and, as explained by three anonymous sources, China instead of having a good bilateral relationship with Mexico, it has had a good relationship with a single political party.

Differences in how Mexico manages its laws, the relationship it has with businesses and companies, the importance they have as economic actors and the presence of civil society are all factors that are important in hindering China's success in the country, and therefore success in economic statecraft. The relationship between the government and the business sector in Mexico is based on cooperation rather than the latter serving as an instrument of the former. Chinese SOEs are overseas out of profit purposes as well, but the pattern of these state companies as the preferred means for internationalisation and trade gives way to other interpretations. Major SOEs such as China Railway Corporation or Sinohydro for example, served as the major participants in infrastructure projects inside Mexico.

Despite the private sector in China providing 60% of GDP, state-owned companies have a notable and stronger presence overseas, and arguably the remaining 40% of the GDP comes from the public sector (Xinhua, 2018). In countries where the private sector provides most of the employment, opportunities and the GDP like in Mexico (80%) shows that governments instead of directing companies, serve as the providers of the adequate conditions for successful economic activity. China on the opposite, presents a model in which companies have a strong presence of the government in the companies regardless of their nature as public or private.

State companies as the major players within infrastructure projects and state banks as the major funding institutions of deals overseas constitutes a problem for the receiving country as mentioned in the fourth chapter, as in China's case there is a thin line between dealing with a company (private) as opposed to dealing with a government. The major challenge with these companies is the 'mirror model' mentioned by one of the interviewees, to illustrate the presence of the Chinese government overseas through them, as this model effectively constitutes the means for the internationalisation of the Chinese state. The practical implications of the mirror model turn into a problem of agency, as despite companies are assumed to be profit seekers, Chinese SOEs are also policy carriers with an assertive profile and clarity of what they are to pursue in the receiving country.

The use of these companies as policy-carriers and at the same time improving their competitiveness has become an integral part of China's foreign policy to expand through 'peaceful means', as opposed to other powers were war and its related instruments were used, China has used the power and capabilities of money. China has now focused its efforts in creating a foreign policy strategy that tends to assertiveness to achieve further expansion without the use of violence, as expressed by the major share of interviewees. The adjective 'assertive' can be located not only in terms of foreign policy strategy, but also on the use of loans and infrastructure projects specifically designed for the country in question to respond favourably to the offer.

Developing countries: The ideal targets?

China's strategy was defined as 'assertive' by the interviewees due to the structure and use of its financial instruments that are applied and used on developing countries. Evidence within China's investment pattern shows similarities in terms of the political system and domestic structure of the target countries. The pattern contributes to the design of a scenario around what China expects from its partners and what the latter do with these financial instruments. China has come as a suitable option for countries that due to economic or political reasons are unable to get funding for development projects. Araujo and Cardenal (2011, p.131) mention that further from the economic perspective, the implications of fragile economies such as Venezuela or command economies and totalitarian regimes having an additional option to maintain their status quo, represents a risk for other countries in the same status.

The practical problem of states where regimes have been in power for a long time, such as Angola or Congo, poses a threat for the local population on the long term. In the case of command economies or states dependant on raw materials is that relying on a single partner for funds in return of raw materials turns into a time bomb, as extraction, processing and shipping entail a cost that can increase continuously depending on the market and most notably, on China's demand. The problem with China's loans therefore is that on the long term, countries end up paying more and ceding the rights of access to raw materials that could last for years.

Krauss and Bradsher (2015) explain that China manages credit restructuring by extending the plan instead of condoning the debt, which makes the payee subject to a vicious cycle where the creditor (China) has an endless supply of natural resources at the expense of the payee. In Latin America, the cases of Argentina, Ecuador and Venezuela for instance, show that despite having the option of China's loans as a source of funds, mismanagement of economic resources and expenditure policies through debts with high interest rates brings an economic crisis as the outcome. China's financial help, due to the repayment conditions, turns into a burden rather than a solution for solving economic crises or hardships.

Mexico, out of its position as oil and other raw materials exporter comprises a good opportunity for China to acquire an additional source of natural resources but, Mexico does not have the same conditions in terms of domestic regulations and the complexities arising from the political system. Differences in the dynamic character of the political elite that changes every six years, the existence of a private sector that does not necessarily agree with government guidelines, domestic legislation and the role of people in the country turn Mexico into a case where it does not fit with the 'ideal type' of target. These particularities are further explored in the next chapter.

The chapter noted the importance of foreign policy principles as part of Mexico's discourse and interaction with China and the relevance of Mexico as a developing country sharing the border with the United States. The issue of the Dalai Lama for instance highlighted that apart from civil servants whose post does not represent the country on a foreign land or as a head of ministry, China comprises a complex case that is subject and defined through a series of concepts shaped by perception and experiences. The concept of China in some cases goes in accordance with the official discourse of seeking closer bilateral relations, but in others perception aims towards imposing and creating distance. China is an important partner for Mexico and it has been approached on the official level but in view of the results from the interviews, academics and business people argue that the interaction on the political realm is not significant enough from the Mexican point of view. China however, has attempted to achieve further involvement but it is constrained by its own perception of Mexico and by its own definition of a developing country.

Chapter 7

Mexico's domestic context: The implications of knowledge gaps.

The way in which China seeks to approach the developing world, as argued further in this chapter, lacks differentiation as it ignores the importance and role of domestic actors and their agency. This chapter addresses some of these complexities that either have encouraged or have undermined Mexico-China relations, where some perceptions from interviewees on the matter are included, as politics and their effects are widespread throughout the country and are present in everyday life. These complexities are analysed from the domestic point of view and as evidence has illustrated from the projects of Dragon Mart and the high-speed train, China either underestimates or ignores these factors and the agency of the actors involved.

The chapter also analyses additional factors and characteristics from local stakeholders and Mexico's peculiar democracy, where objectives change sometimes dramatically depending on who is in power. The sudden change of parties and government officials in the country is interpreted as natural in a democracy, nevertheless this difference represents an obstacle for China as in some cases the party in power or government officials can make the difference regarding how China is perceived and the place it has inside Mexico's foreign policy agenda.

In Mexico, sometimes the interests of the public sector and the private sector are not the same therefore even if the former wants to build a closer relationship with China, the latter might regard it otherwise for the same reason of political parties alternating their position in power. The private sector, however, has been the most affected by China's economic activities in Mexico, therefore this chapter argues that the proximity of the United States and the impact China has had in the domestic market serve as strong arguments that justify the country's posture of regarding China as an option to diversify rather than an additional power to depend on.

The practical implications of China not considering these particularities and the assumption of Mexico having a similar structure in terms of being a developing country, is reflected on investment indicators. China's investment in Mexico accounts for less than 0.5% of the total (Secretaría de Economía, 2017) due to the absence of a mutual understanding, requirements from the Mexican laws, complexities of the country's political sphere and the role of civil society. Economic statecraft requires support from local stakeholders to achieve a successful outcome therefore, the role of Mexican politicians and civil society as either enhancers or inhibitors constitute the main obstacle that hinders China's success opposed to other cases involving developing countries.

The chapter illustrates the role of these stakeholders in Mexico, where there is a variation between the public and private spheres in how they regard and perceive China, as the former seeks a closer relation that can be managed, whilst the later regards it as a threat. The major agreement as showed in this chapter is that both sectors favour a relationship based on equality and balance instead of building dependency with China. The private sector in Mexico, as mentioned earlier in this research, is the major employment provider in the country (80%) and therefore constitutes one of the major constituents for the government to design a foreign policy strategy aimed at enhancing and opening spaces elsewhere for Mexican products and services.

Encountering domestic challenges and obstacles

Mexico does not have a distinct political and social system different from other democracies within the developing world, particularly in the regional context. Nevertheless, developing countries as stated previously, cannot be all fitted into a single category or labelled under a fixed set of related concepts. Academics and business people expressed critical concerns regarding the lack of interest and knowledge from some policymakers within the Mexican government towards China, as this can pave the way for greater presence but for China's own benefit. If policymakers, particularly those on the federal level such as Senators, Deputies or the president are not aware of how China's financial mechanisms work with their respective risks for the receiving country, economic statecraft has a greater chance to succeed.

Mexico has a series of unresolved issues in terms of domestic security and in managing interactions with its trade partners, most notably with the United States. Domestic politics and the role of power in the country however, undermine nearly all interactions within and outside Mexico, as each sector in the country has a unique and specific agency. This implies that objectives vary according to the sector, according to the ministry and in many cases, according to the political party. Perceptions explored from the academic, political and business sectors presented in the previous chapters, show that China's discourse of constructing and consolidating a 'strategic associative relationship' ignores these particularities and the impact they have on politics, diplomacy and policy in general.

China's diplomatic discourse targeted towards developing countries using 'win-win' and the associative or strategic relationships are subject to how the local stakeholders interpret these terms and how China is regarded and perceived by local authorities as well so, this chapter further mentions that Mexico being a democracy has also played against China's strategy towards the developing world designed as 'one size fits all'. The additional problem of Mexico is its geostrategic position in the region and its proximity to the United States. Sharing the border with China's rival, as explained in the previous chapter is pivotal in terms of serving as a substantial obstacle that hinders economic statecraft. In view of Mexico's peculiar political environment, it is essential to identify the particularities of this system that, depending on the issue and the historical event, has either encouraged or hindered foreign policy.

Mexico as defined by the Constitution (Constitución Política de los Estados Unidos Mexicanos) and stated in article 40, is a federal and secular republic founded on the principles of democracy formed by thirty one provinces and Mexico City who enjoy freedom and sovereignty for their internal affairs and subject to the principles of the major set of laws embodied in the Constitution (Constitución Política de los Estados Unidos Mexicanos, 2019). The way Mexico works as a federation and the hierarchies of local laws and provincial obligations is discussed further in the next chapter. Mexico as a democratic country shares similarities with Western values and principles, which makes its domestic legal structure alike to the ones in any country of the Western hemisphere.

China's internal structure and laws as shown in this and the forthcoming chapters, are different and in most cases opposite to the Mexican ones, where the government has a different interaction with the people and a different role inside the different spheres of national life. The fact of Mexico being a democracy constitutes the first factor that has contributed to the major gap between both countries, as while China's government has a major control on national life including the appointment of officials to other provinces and power as more centralised, the Mexican Constitution grants autonomy to other provinces by holding elections and each having their own Constitutions and, Mexico also has autonomous organs, such as the Bank of Mexico. In Latin America, Mexico keeps its reputation as a democracy as opposed to other states like Bolivia or Venezuela, where governments are the managers of economic, social and political affairs. Regimes where governments and elites have a major control of the country constitute the best targets for China, as both life and policy are managed by a single person or entity (Angola, Venezuela, and others) or by a group of people (Myanmar with the former Military Junta).

The changing nature of political priorities

Mexico manages its domestic and foreign policy through policy plans that are designed every six years by the federal government. These plans are outlined in the National Development Plan and change according to domestic needs. Foreign policy is also included in this document and for the current administration (March 2019 as a reference) it seeks to extend its interactions with other regions and strengthen economic exchange with different countries to promote diversification (Gobierno de la República, 2018). Market diversification has become a policy priority after the outcome of the 2016 elections in the United States, and Mexico had to look for immediate alternatives after President Trump announced bans and factory closures in the country, added to other pressures coming from European car-making companies that send their products from their plants in Mexico to the United States.

One of the interviewees explained that China is somewhat aware of the pressure that the United States exerts on its neighbour but is also seeking to benefit from it. The problem between economic and foreign policy in Mexico however, is that both are not necessarily connected. The discrepancies between views from the private and the public sector towards China show that foreign policy runs parallel to economic policy. Despite the increasing need for diversification strongly supported by civil servants and government officials, Dussel (2017) mentions that the increase of trade and economic exchanges does not necessarily mean more, as quality is more important than quantity. The private sector keeps on being key in informing and pressuring the government through briefs, reports and meetings regarding the relevant areas where China could be an opportunity (car parts) or a threat (artisanal work and steel).

In Mexico political power is divided into three major parties, which represents an additional difficulty that goes beyond the difference in political systems between China and Mexico, as each of these parties has different objectives reflected on constant deadlocks and arguments in both federal and local levels. Each of these parties therefore, holds a different concept and perception from China as each of them give a different relevance to foreign policy, therefore agency varies according to the party and political actors involved. Romer Cornejo explained in the interview that Mexico's political environment has been managed by different elites that regardless of the political party, keep on having a relevant role in policy making. These groups are comprised of politicians, business people and intellectuals who have an active participation in domestic affairs.

China argues that projects are on the long term therefore it seeks to work and cooperate with any government regardless of the country and the political party, but in practice this argument ignores that in a democracy there are numerous actors in the political arena that go beyond political parties. In the case of Mexico, political power is divided among three major parties which makes policy and decision-making processes harder than in other democracies, as two parties tend to block any initiatives coming from the ruling party. The way China was regarded during the 2000-2012 period stands in contrast to the current (2018) period, where the government has sought to look for closer interactions.

Perception towards China changing according to the government and differences in political systems as emphasised by an experienced diplomat, constitute a problem and are widely misinterpreted and misunderstood by China. Democracies are not static in terms of governments remaining in the hands of the same people for long periods of time. In the case of Mexico like in any other democracy, presidential elections are held every six years. The Chamber of Deputies and the Senate are renewed every six years, and Deputies are changed every three years and, civil servants and government officials change their posts either to other government offices or finish their term. The implications of this dynamism revolving around positions of power is further analysed in the forthcoming sections.

China's partners in the developing world present the similarity of having the same political party or the same person in positions of power for a long time, such as the case of Angola or of Myanmar where a single person or a group has the monopoly of power. It is feasible to assume that relationships could remain in a status quo on the long term if the same people remain in power, as the diplomat explained, China assumes that being in good terms with the government implies permanent good terms in the bilateral relation, which is not sustainable in a political system that changes and moves government officials within specific periods of time. Political parties as explained in the next section, have different ideologies and in some cases, different objectives. In Mexico, except for the case of the mainstream party (PRI Partido Revolucionario Institucional), no other political party except PRI has remained in power for more than twelve years, and plans and priorities vary according to the party, the Congress and also the people.

Romer Cornejo emphasised that disagreements between China and Mexico are deepened due to the differences in the political system, as the Mexican government tends to plan on the short term as opposed to China, where plans and strategies are on the long term. This bilateral relation presents two stark contrasts, as China is a nationalist country that seeks to accomplish its interests whilst Mexico does not have a clear construction of nationalism, as the political regime assumes that it will not endure or go further from more than the official term of six years. Political elites in China therefore are rather static and share a sense of policy as a long-term process that must be followed. Mexico lags substantially in terms of having a vision on the long-term and designing policy to be accomplished within specific time frameworks that go beyond ten years. The lack of a clear vision on the long term has caused a lack of consistency in policy and clear objectives that during some periods have been noted inside foreign policy.

China's perception of developing countries as entities that have permanent leaders or that have a similar system to theirs is far-fetched as in the case of Latin America except for the cases of Bolivia, Nicaragua, and Venezuela among others, most countries like Mexico hold presidential elections. In some cases, people in the government are subject to change or move after six years or more depending on local legislation. China's most notable successes in the developing world as noted by Araujo and Cardenal (2011, p. 148) and confirmed by two anonymous sources during the interviews, have been countries like Angola, Myanmar, Sudan or Turkmenistan where the political elite has remained in power for long periods of time and therefore, SOEs have an advantage for obtaining benefits and being given a preferential treatment on the long term.

The assumption of developing countries as entities that to develop they just require funds and infrastructure projects constitutes a problem from both theoretical and practical perspectives. Developing countries have distinct cultural and social differences that are reflected on their domestic and foreign policies therefore their behaviour and policy outcomes vary according to local characteristics. Additionally, labelling resource-rich countries as 'raw materials providers', as argued in the previous chapter, is also problematic particularly in the case of countries like Mexico that have a different economic profile.

Mexico has raw materials but also produces complex goods and manufactures and has a strong sector for logistics and services. The approach used with Venezuela therefore, does not work for Mexico despite both being Latin American and oil exporters. Despite sharing cultural, linguistic and social characteristics, both countries have a different economic profile and different needs, therefore the assumption of all developing countries being the same entities that can be approached through a 'one size fits-all' foreign policy, is inadequate. The next section focuses on domestic complexities arising from Mexico's political environment and the implications of power being divided amongst three parties.

Policy unpredictability: How goals are determined according to the political party

Mexico has had numerous political parties throughout the recent history but there are three major political forces that shape domestic affairs and policy in general. The Revolutionary Institutional Party (PRI, Partido Revolucionario Institucional) is considered as the main one and the origin of the Mexican political system. It was founded in 1929 by President Plutarco Elias Calles who held control of appointing candidates and their cabinets until the leftist President Lazaro Cardenas was elected in 1938. This political party represents the mainstream in both ideological and policy terms because it has adopted different ideologies throughout history. The party's agency has gone beyond individuality in terms of not presenting an ideological pattern as some of the heads and presidents have had different principles, as it has moved from revolutionary nationalism towards neo-liberalism and technocracy.

Except for the National Action Party (PAN Partido Acción Nacional), most of the remaining political parties, including the third major one, the Party of the Democratic Revolution (PRD Partido de la Revolución Democràtica) have former members from PRI within their lines or have been created by former PRI members. Currently, thanks to political turmoil coming from the Drug War and the political crisis in the country since 2012 caused by the disasters from President Enrique Peña Nieto, the leftist Party Morena (Movimiento de Regeneración Nacional) created by the current President of Mexico Andrés Manuel López Obrador in 2014 has achieved power and the majority in the Congress. In view of the presence of former PRI members in this party including the President himself, Morena does not have any tactics different to those that prevailed before 2000. The events held during the time of writing (2018-beginning of 2019) indicate that Mexico is highly likely to go back to the seventies.

In the case of the National Action Party, it was founded during the 1930s and in general terms it has remained in the right-wing spectrum but has also shared neo-liberalism as the main ideology with the mainstream party. It was until 2000 that PAN was elected and had economic stability as the major policy nevertheless it was until the second term with President Felipe Calderon that the country started to face significant threats in terms of national security with the Drug War. During this period (2000-2012), Mexico had serious clashes with China in both economic and diplomatic levels with China's entry to the WTO and the reception of the Dalai Lama by President Calderón.

The Party of the Democratic Revolution constitutes the first source of former members from PRI and the second most important opposition party before 2016. It was formed in 1988 after the elections by Cuauhtémoc Cardenas, son of former President Lazaro Cardenas, in the year in which President Carlos Salinas de Gortari was elected under questionable grounds as the system destined for vote counting collapsed at the end of the elections. The party welcomed members of the leftist parties during that time such as the Socialist Party and it positioned itself on the left-wing spectrum.

In general terms, this party constitutes a counterweight against the dominance of PRI and has a complex agency, as it has former members from PRI and from PAN and the recent leftist party Morena (National Regeneration Movement) was formed mainly by PRD dissidents. The constant presence of PRI as a current political force and the evolving character of its current, past and dissident members reveals the complex agency of domestic politics in Mexico, as whenever one of the three is elected, the other two serve as a counterweight and give way to policy deadlocks. This complex political agency also helps to understand why China has been considered an opportunity and then a threat in less than twenty years by the federal government.

Mexico and the People's Republic of China established formal relations during the government of President Luis Echeverria in 1972 when PRI was on a political spectrum like that of China. China is a recent partner in terms of diplomatic contact, official visits and economic exchange, as the first official visit from Mexico to China was in 1973 with President Luis Echeverria and from China to Mexico there were visits from Premiers, Chancellors and Vice-Premiers in the 1970s until 1997 when President Jiang Zemin visited Mexico. In terms of policy continuity, it was until 2000 that Mexico saw a change in the ruling party after seventy years under PRI. During these years and as explained in the previous chapter, Mexico had a rather active role on the global level through peace-keeping and non-proliferation initiatives such as Contadora and the Tlatelolco Treaty.

Cornejo (2010, p.600) explains that the formal establishment of diplomatic relations was given during a difficult period in the country, as economic crisis was causing social instability and generating guerrilla-type violence generated by the widespread discontent. The role of President Echeverria as both a victim and a perpetrator during the student movement of 1968 were translated into foreign policy through nationalism, strong emphasis on self-determination and sovereignty and most importantly, an anti-imperialist discourse. Echeverria approached left wing intellectuals in the country and Latin American refugees who were victims of the military dictatorships in their countries while trying to control social turmoil in the country.

This discourse that defended justice, fairness and condemned repression from other powers was an attempt to give Mexico 'a personality' and was echoed by China during that time out of similar worldviews by both countries each in its own front, facing the pressures of the United States and Russia respectively during the Cold War during the seventies. China during Mao's years (1949-1976) was under surveillance out of its political system, while Mexico was targeted due to the presence of supporters and infiltrators argued to be communists. One of the interviewees explained that President Echeverria has a very special place in the memory of Chinese officials, as he showed a strong support for the People's Republic of China during its entry to the United Nations and proclaiming Mexico's unconditional support for the One China Policy, which is still in force. Mexico acknowledged the People's Republic of China after Nixon's visit to the country and when the United States established formal relations with China (1972), therefore in view of the circumstances, Mexico chose to adhere to the principle of one China.

One of the interviewees emphasised that 'Guanxi' between both countries started with this gesture from President Echeverria who is regarded by China as a special character, as nowadays Chinese officials visit the former President in his house in Mexico during official visits. A diplomat emphasised that an additional gesture form President Echeverria was gifting the current Embassy of China located in the southern part of Mexico City, as this house used to belong to former President Adolfo López Mateos. During Echeverria's administration, China and Mexico started to foster bilateral relations in a regional environment that provided the adequate conditions for both countries to regard each other as allies.

In practical terms during the seventies and eighties, Mexico served a host for Latin American refugees and had a relevant role within forums about peace and disarmament and it also had the role that China currently has in multilateral forums: Mexico was the head of the G-77 movement, which sought to achieve a fairer international system. China regarded Mexico as an active member and as an ally after the latter sent its most proficient diplomats to set up the embassy in Beijing (Cornejo 2010, p. 602). There was continuity and consistency in diplomatic relations, even after China was subject to censorship and blockades on multilateral forums and financial organizations after the Tiananmen incident of 1989 where student protests were crushed by government forces in Beijing. In general, interactions and economic exchanges grew steadily, and while Mexico was investing efforts in dealing with the crisis of 1980 related to external debt and oil prices, China was building the base for its reform and opening period after Mao's death.

In the 1990s China and Mexico were on a similar path in terms of turning into manufacturing countries and inserting themselves into the global market, which represents the initial phase of both countries as competitors. This decade constitutes the beginning of divergence in the political spectrum, as Mexico started to adopt neoliberal policies during the government of Carlos Salinas de Gortari (1988-1994) that were consolidated during the government of Ernesto Zedillo (1994-2000). The government of Salinas de Gortari also served as the start for a more active role in global economy through the creation and signing of the North America Free Trade Agreement in 1994. China during this period was part of Mexico's strategy for trade but the latter was unaware of the future implications of the reforms being carried out by the former.

Mexico also started to implement relevant reforms such as privatization and opening spaces for foreign direct investment whilst China was on the same process but implemented reforms gradually. The PRI moved from nationalism and explicit anti-imperialism to a promoter of free trade, globalisation and market economy, now opposite to China that stood by state-controlled and state-sponsored economic growth. In the following years of President Salinas, Mexico modified its foreign policy discourse through the concept of nationalism as economic interaction grew with other countries, but with an increased focus on trying to solve domestic challenges, such as poverty and inequality and an increasing importance to civil society (Cornejo 2010, p. 604).

China sough a more active role in multilateral forums, and except for their entry to the WTO in December 2001, Mexico was supportive of China's participation. The final years of President Zedillo's mandate paved the way for closer interactions with China through the adoption of the One China Policy and Mexico's proximity to Central America, but the following administration had different plans for foreign policy. President Vicente Fox represented a change in the sense of PRI now turned into an opposition party and that the country saw alternation after seventy years. The National Development Plan had the promotion of democracy and human rights as priorities and as the basis for a new international order, increasing Mexico's participation in multilateral forums and broadening political dialogue with other states.

Cornejo (2010, p.609) mentions that both countries faced substantial differences in their foreign policy agendas as Mexico seeks to broaden dialogue and base its interactions on the current international environment, whilst China seeks to modify the environment and shape it to its preference. China gives priority to a peaceful international environment that makes economic exchange and growth possible. China's self-representation as a great country that has a long history and deserves to have a place within the developed world, makes it to strive for what it considers a distinct and fairer international order, multi-polarity and the end of unilateral hegemony. China presents itself as a defender of world peace, a strong supporter of multilateralism and a fairer international system (Cornejo 2010, p.610) but at the same time, it seeks greater international influence through its own initiative such the Belt and Road Initiative and territorial disputes in Asia.

In the current era, it is difficult to identify specific patterns in the context of China-Mexico relations due to the long-term presence of PRI and then twelve years of PAN and then six years with PRI. Cornejo (2010, p. 610) mentions that bilateral relations have an emphasis on economic interactions with a confusion regarding the definition of national interest in this bilateral interaction and a lack of coherent responses from the state and the involved sectors. The PAN followed a similar pattern to that of PRI by giving priority to outbound investments, market diversification and the increase of exports.

In the period comprised between 2000 and 2012, Mexico signed numerous free trade agreements mentioned in the previous chapters with other countries but exchange with China was not regarded as an option by the business sector, as most consider the United States as the best market option. In terms of China-Mexico relations, the most significant difference that set the tone for future interactions, misconceptions and the lack of knowledge from both countries during this period was China displacing Mexico as the second imports partner of the United States in 2003.

One of the interviewees explained that China has been more supportive of PRI than any other party in power mainly because PRI has ruled the country for seventy years and constitutes a known face. An anonymous source explained that before 2001 Mexico knew that China was evolving and transforming into a global economy but still regarded as a distant partner until it entered the WTO. Minister María Teresa Solis explained that China had a party-related affinity with PRI rather than with Mexico, as thanks to the permanence of the party, China was able to build ties that were changed abruptly and later worsened after PRI left office in 2000. This change represented a watershed within bilateral relations because President Calderon was a character with fixed ideas and conceptions, therefore China turned into a rival and a threat for the country in terms of trade for the reasons explained in the fifth chapter regarding Mexico's scepticism of China as a market economy, the presence and use of subsidies, dumping and similar economic profiles.

One of the interviewees further explained that President Calderon disliked China and his antipathy was translated into welcoming the Dalai Lama and the AH1N1 crises. The return of PRI into power represented a breathing space for China and an attempt to build a new era for bilateral relations, as President Enrique Peña Nieto was invited multiple times to China while he was the governor of the State of Mexico. The good relation built by President Peña with Xi Jinping before his mandate represented an opportunity for China to foster bilateral relations. The bilateral relation in good terms however, out of complications coming from the failure of the high-speed train project and Dragon Mart, was short-lived.

Separation of the business sphere from the government's interests

The previous chapter showed that there are differences between how the government perceives China and how the business sector regards it. The chapter showed that arguments from the business sector to not interact with China or being cautious with it, reveal an awareness of the possibility of economic statecraft being exercised against Mexico, as all the interviewees raised concern towards the presence of the state within Chinese companies and the implications of having a government dictating policy for its benefit in key economic sectors.

Reservations came mainly from the presence of subsidies that encourage unfair trade practices and serve as an adequate endowment for SOEs to have further involvement in the economic environment of the country. The academic and business man expressed that companies are essential for the government as employment and wealth producers and can be policy-carriers, but they also need the state to provide the adequate conditions for economic activity through policy to flourish. Economic capabilities of Chinese companies comprise a source of influence on the long term from the perspective of economic statecraft.

The relevance of these economic capabilities relies on the state providing SOEs with the means they require to expand in the receiving country and get an advantage over local companies on the long term, which leads them to gain a stronger presence within the economic sector in question. In the previous chapter, it was noted that the role of companies as interest groups and as the originators of wealth and economic activity is key for government policy. The implications of a foreign company becoming an essential or the most important stakeholder, as explained in the fourth chapter, has further implications for the receiving country from the legal perspective due to the opaque agency of these companies.

In Mexico for instance, PEMEX has had the monopoly of oil and hydrocarbons since 1936 until 2013 when the energy sector was decentralised. The company has been labelled as 'the small safe' by public opinion due to its endless availability of funds destined towards the needs of the political elite at the expense of the state company's competitiveness. This simile also applies to Chinese SOEs on a different proportion, as the Chinese government through subsidies and control of these companies, has sought to internationalise China's presence and accomplish policy objectives on the way. Opposite to how Mexican companies create and implement an internationalisation strategy independent from the government, Chinese companies are subject to the approval and support of the state.

The way China uses SOEs for the internationalisation of the Chinese state opens a discussion regarding the utility of foreign policy as a tool for domestic policy objectives. The main complication of using foreign policy for satisfying domestic objectives is that both must be outlined through a strategy that includes short term objectives to fulfil policies efficiently. For example, China has included in its contracts and as condition for loans the use of Chinese steel and other construction materials for its infrastructure projects overseas to tackle the issue of overcapacity, as stated in the fourth chapter. Ker (2017, p.7) for instance mentions that due to

Xi's Made in China 2025 strategy, the railway sector has been identified as a priority and, through exporting railway projects it is possible to address the overcapacity issue.

In 2015, the State Council issued a document under the title 'Guiding Opinions on Promoting International Cooperation in Industrial Capacity and Machinery Manufacturing' where it introduced the concept of 'international industrial capacity cooperation' which seeks to build a model of capacity transfer that would move China's manufacturing sector further on the value chain. A second relevant example would be the clause of having Chinese workers in these projects to address the government policy of providing employment for the Chinese people. China's foreign policy therefore, has a complementary character as it helps to fulfil both domestic and overseas objectives. From Mexico's point of view and out of the divisions between the public and the private sector, there is a widespread view regarding how economic policy clashes with foreign policy.

The lack of possibilities for the internationalisation of Mexican companies comes from both private and public levels, as business people are comfortable with the idea of the United States as the main partner whilst the government lacks the necessary skills and knowledge to help companies to expand their operations outside of the country. Interviewees who conduct business and trade activities explained that enhancing the possibilities for diversification should be an essential component and a priority within foreign policy but, despite the number of trade agreements between Mexico and other countries, there are a reduced number of Mexican companies that have been able to expand their activities overseas.

The lack of knowledge and support from government organs to medium and small enterprises constitute a disadvantage vis-à-vis China, as those companies who have international activities have done so by their own means, and not through government support. In the case of Mexico, local champions such as Grupo GRUMA (foodstuffs) and CEMEX (concrete and building materials) have expanded their operations overseas through their products, and as mentioned by interviewees from the business and government sectors, the major task for Mexican civil servants outside the country is investing efforts in the foreign country for Mexican companies to allocate and sell their products in the market. The major problem for civil servants outside of Mexico is that they must accommodate the choices of Mexican companies in a foreign market and negotiate conditions with the receiving country. The problem with China's market as argued in the third chapter, apart from conditions to enter is reciprocity as in the specific case of Mexico and China, the presence of the former in the latter's market is almost non-existent as opposed to Brazil's share of 3.1% (Observatory of Economic Complexity, 2017).

In view of the differentiated opinions coming from government officials, while there is an awareness regarding the disadvantages of strengthening bilateral relations with China in the public sector, the official discourse clashes with these reservations. One of the main problems surrounding policy-making in Mexico apart from political power being divided into three and political parties having their own priorities, is interests getting increasingly entrenched whilst moving to the top of the political hierarchy.

Therefore, even if the President has a cabinet formed by members from the party in power, policy interests are subject to variations. In practical terms, this gap between what the Head of State expects and what the ministries implement can generate disagreements, deadlocks and costly mistakes. China has had a good relationship and understanding with government officials coming from PRI but being in good terms with the people in power or with any political party does not imply that bilateral relations with Mexico are deemed to be successful. The High-Speed Railway project for instance, shows that despite the interest of the Head of State to grant this opportunity to China, the Ministry for Transport and Communication (SCT Secretaria de Comunicaciones y Transportes) banned the bidding in favour of China Railway Corporation.

The lack of long-term vision and having government officials with uneven and distant objectives, also affects the priority given to current and potential trade partners because as the oil and alternative energies consultant explained, short term view and planning constitutes a problem for the country in terms of budget allocation. The current administration sets the budget to be spent during the next six years but, it is the next president who decides where and how these resources will be spent. The lack of long-term vision in Mexico, as shown in the change of tone towards China after 2000 until 2012, constitutes a problem also in terms of foreign policy. The interviewee added that with the increasing importance of China as a large consumer of energy and the importance the Chinese government gives to improve people's purchase power parity, the top priority is satisfying needs at home to expand its influence further. This strategy is discussed further in the next chapter.

Mexico therefore, can become vulnerable if it does not pursue a strategy that goes beyond being a service provider and having the United States as the main market. The interviewee warned that Mexico built a strong service sector but has yet to consolidate and strengthen other economic sectors, therefore attracting foreign direct investment is a priority for the government for long term projects and plans. Despite the profitability of providing services, being an intermediary puts the country in a sensitive position in terms of trade, moreover because China has started to use its own currency for commercial transactions. Decreasing the influence of the United States in the global trade system implies the use of other currencies instead of the American dollar. China's management of its own currency as stated in the second chapter is also regarded with caution in Mexico as markets are entitled to determine the value of a currency, not the state. Mexico, alike other countries, has a strict adherence to the American dollar as the main currency for trade and monetary reserves.

China's intention to gain influence vis-à-vis the United States is a known matter in Mexico because of the effects this could have on exchange between Mexico and its neighbour but, this awareness comes from a limited number of government officials. An advisor from the Ministry of Economics explained that the country's geographic position is not limited to its character as a route of trade, but also serves as a bridge between the developed world and the developing world in regional terms. Mexico therefore, to address the increasing presence of China and the reactions of the United States to China's influence, needs a wider economic, financial and political perspective to face global challenges brought by these challenges.

Mexico is somehow in the middle of this strive for influence and competition between China and the United States, but out of geographic reasons is rather concerned for the latter. The academic and business man explained that despite China's reluctance towards assuming a responsible power role, being present in the developing world constitutes a part of China's global strategy. In Mexico, the state does not provide sufficient means of support for companies to grow and expand and in the case of China, the role of the state in supporting and having presence within companies is not likely to change on the long term.

The Mexican government has the complex challenge of addressing China's expansion and its impact, as the presence of Chinese in the country has been increasing since China entered to the WTO, not in the form of big companies but through small businesses and traders. Minister María Teresa Solis emphasised the impact of informal activities, as it has been through informal and illegal trade that the country has been flooded by Chinese goods of different qualities. In her view, this constitutes a major challenge that has the potential of becoming a real threat for the country. Despite the widespread presence of Chinese small businesses in the city (mostly small shops, restaurants and markets), large Chinese companies mostly state-owned, China Harbour Engineering Company, Sinohydro and China Oilfield Services Limited or even with a mixed ownership such as Huawei, also have presence in the country through either their participation in infrastructure projects or as service providers.

Closer bilateral relations: practical implications

Mexico has a complicated position in this bilateral relation because in geostrategic terms, it is found between two very distinct regions, as its position as a Latin American country is beneficial due to its proximity to Central and South America, but its role as the bridge towards North America is also important. China would be expected to consider Mexico as a key component in its strategy towards Latin America but, as shown in the previous chapter, China uses nearly the same approach with all developing countries or at least strategies that do not present any pattern of differentiation. Mexican diplomats mentioned that Mexico has a different economic profile and that it cannot be reduced to a raw materials exporter, as the country has developed strong industrial and manufacturing sectors.

Mexico cannot avoid the implications of its geographic and geostrategic position, most notably the presence of the United States on its northern border. Mexico and its neighbour have built a series of bilateral mechanisms throughout the years that have intertwined its economies, integrated different value chains and created other cooperation mechanisms. The two countries also share common concerns regarding regional security and must invest human and financial resources to keep the flow of goods within North America. China therefore, possesses a disadvantage in terms of knowledge about regional dynamics, as exchange is not reduced to trade but also addressing common concerns that affect trade.

Mexican companies are also in disadvantage because they lack the skills to interact with a counterpart different to South America or the United States, as the latter exercises a stronger influence on its southern neighbour from the political perspective. China's disadvantage and most notable obstacle in exercising effective economic statecraft in Mexico is the United States, and in the current environment and as illustrated in the previous chapter through the clause regarding non-market economy countries in the USCMA treaty, it is unlikely for the latter to accept China's strong presence near its southern border. According to an experienced Mexican diplomat, China is not as strong as it seems, as it possesses strength as a market in terms of population, but the United States keeps the advantage of being receptive as an open economy and having commercial, environmental and legal standards alike to those in Mexico and other Western counterparts.

The level of understanding held between Mexico and its trade and political partners comprises an additional disadvantage for China with which it has cognitive dissonance, as even in countries that are different from the cultural perspective like Japan, Mexico has built a fluid relationship throughout time where countries have had exchange in terms of goods and investment where the counterpart shares a common vision and objectives, whilst in the case of China both its position as a power and as a country with a similar profile to that of Mexico are regarded as a threat, so most of Mexico's trade partners are industrialised economies who provide the country with specific and finished goods, such as machinery and technology goods.

Challenges for national industries and implications for the country

China, as stated in the previous chapter, also presents an issue of reciprocity which illustrates that the perception held of developing countries as raw material providers and nothing more is accurate and realistic. The model of China as the centre and other countries as the periphery is also a reality, moreover in terms of long-term dependency. Mexico alike other Latin American countries has also subjected its economic development to the western-based models and guidance, therefore there is an awareness of the risks around dependency of a single market, one source of income or a single economic activity.

Despite the 'convenience' of China's loans and infrastructure projects, these instruments at least in appearance are alike the loans given by any other international institution, with the significant difference of resulting costlier on the long term and the inability to modify conditions or condoning debts. The 'raw materials for loans' for example, develops a pattern of dependency for the receiving country where it 'pays back' through its local produce, which inhibits and curtails economic exchange with other countries. An advisor of the Ministry of Economics explains that information regarding domestic regulation and legal aspects of trade constitutes a priority for Chinese trade and business envoys, as there is an emphasis in understanding how the local markets work and the constrains imposed by domestic regulations. The legal system in Mexico as an obstacle for effective economic statecraft is discussed in the last sections of this eighth chapter.

The importance and sensitivity of information regarding laws, markets and production processes is relevant for exercising economic statecraft because it implies a deeper understanding of the counterpart. The advisor explained that market information has turned into an asset for states to expand commercial activities, therefore in the case of Chinese SOEs, the problem constitutes that information in terms of access and possession, is not limited to private entities. Possessing sensitive knowledge or information constitutes a source of leverage in the current era where the circulation of data has the potential to affect states negatively. Companies are also vulnerable and can be pushed to modify their processes through a strategy known as disruptive innovation, which consists on enhancing or modifying the existing product to improve it or making it more accessible to other markets.

If Chinese companies have adopted know-how, the interviewee explained, competitors must use disruptive innovation to survive and remain in the market. China's use of know-how and technology obtained from foreign companies entering to China or through other means such as by merging acquisitions can represent a risk not only for companies but for the receiving countries, as in some cases acquisition of these patents has implied that SOEs have the possibility of having a major participation in a key sector of the country's economy, such as energy or technology. Intellectual property constitutes a share of sensitive information which can also be subject to become an asset for economic statecraft, as managing companies who produce technology goods implies controlling research and innovation.

The previous chapter focused on the importance of companies as policy-carriers and the role of the state in the business sector, where interviewees expressed concern regarding the latter. Information constitutes an additional source of leverage depending on the subject that holds it therefore, exchanging knowledge around technology and procedures with an SOE does not say in the hands of private entities but also turns into a government asset. In view of the 'mirror model' mentioned in the previous chapter, where the state has presence in most companies, SOEs turn into problematic entities with a complex agency, as there is the possibility of serving as instruments for exercising economic statecraft or in cases of defence and other sensitive areas, transfers can become a future threat for national security.

China offers challenges and opportunities that can change depending on the context and the interests from the parts involved. One of the interviewees explained that the technique of requiring know-how or technology transfer in return of entering to the Chinese market is a double-edged sword, mainly because foreign companies also need guidance from locals regarding domestic environment and regulations. China's market offers attractive gains but having access to them implies a cost. The majority of business people and companies in Mexico, particularly small and medium enterprises however, ignore these key matters and have limited success with exports to China. The lack of knowledge coming from both countries has also turned the bilateral relation into a dilemma of whether there is any mutual perception at all.

China's multidimensional impact on building its image

People's background and experiences with China have a notable impact on the way they perceive China and the issues related to it therefore, the perception about China from the interviewees has revealed different spectrums and aspects according to their individual cases. While policymakers presented different versions and arguments towards China in some ways distinct from the official view, academics presented balanced arguments but were critical with the means of how China has been expanding its influence and its intentions of keeping a sustained economic growth. Nevertheless, the increasing importance of China, as mentioned by all of them, has both advantages and disadvantages for the rest of the world as a potential business partner.

The majority of the interviewed academics, including specialists such as Enrique Dussel acknowledge that economic and financial assets constitute a source of power and influence that has implications for China and its trade partners. Except for diplomats who have represented Mexico in China, most academics studying China have focused their work and research on cultural and economic affairs therefore, the political aspect of China-Mexico relations is not mentioned frequently at least on the academic level. Research from the CECHIMEX for example, is rather focused on solving cognitive dissonance for enhancing economic relations than targeted towards addressing cultural misconceptions between both countries. Informal sources, such as media articles or independent non-academic research tend to be the major sources that target the politicisation of bilateral economic relations.

Professor Waldo Aleriano specialised in economic and government policy explained that given the leadership crises in the international geopolitical order, China is taking a leading role with its investments worldwide and at the same time, shaping its leadership through cooperation and infrastructure development with the aim of achieving economic equity in urban and rural areas throughout China. Domestic stability, as explained in the second chapter, constitutes one of the top priorities for the government therefore giving the Chinese people a good quality of life, services and most importantly a job, constitute the pillars of this stability.

China's path to become a global power has presented some similarities to that followed by other powers but China has used rather subtle ways to extend its influence. Romer Cornejo explained that China is not a unique or exclusive phenomenon in terms of how world powers have evolved and the strategies they have used to become powers. China, opposed to Spain, United Kingdom, France and others, has used financial resources and economic means to dominate instead of weapons. Cornejo explained that for the West, the fact of China becoming a world power has been difficult to grasp and accept, particularly for the United States. The main reason behind this is related to ideology, as China has not built its path to become a power through western ideas and principles.

The observer's background as shown in this research, gains relevance in framing and shaping China's role as a global power or as a key player in world politics. Cornejo explained that labelling China as a 'threat' therefore is the result of criticism coming from western narratives rather than a palpable consequence of its influence, as China's influence and impact vary according to the country. This 'ideology bias' is also palpable and noted in the critiques made to the country in terms of being supportive of authoritarian regimes and autocratic rulers such as Bashir in Sudan and the army junta in Myanmar, as previous western powers have also been supportive of such regimes as long as it has suited their economic and strategic needs. Cornejo emphasised that except for the use of democracy and market economy principles and domination through weapons, China has followed nearly the same path as the United States by supporting authoritarian governments in resource-rich countries.

In terms of China's innovative means of expansion, the academic and business man emphasised that China is a rather complicated partner due to the lack of awareness regarding what it is expected in return of these loans and infrastructure projects. In the case of the United States, there is an extent of clarity from what is expected in return. The problem with China, he explained, is uncertainty as the cases of other developing countries in Africa and others in Latin America have illustrated that when Chinese companies have what they need or require according to their self-interest, they leave. Investing efforts into building solid trade relations with China entails a risk from both economic and political perspectives. The academic and business man claimed that for this reason, China should not be regarded as a priority but as an option for diversification.

Diversification, not dependency

The last chapter addressed the idea of an 'ideal type' regarding the conditions in the receiving country for China's instruments and economic statecraft to be successful. Mexico as a developing country that also has oil as one of its major sources of revenue also determines the relevance of looking at the cases of other resource-rich countries in the region and elsewhere, as one of the main reasons behind reservations and scepticism expressed by the interviewees came from simple observation of the 'China effect' in other countries.

The lack of clear rules around business activities, trade and investment added to weak institutional frameworks and the lack of adherence to international standards of banking and investment have provided the best breeding ground for governments of the receiving countries to fit China's loans and infrastructure projects. Consequently, as Krauss and Bradsher (2015) mention, China is aware of its power and therefore it has the possibility of making other countries play under its financial rules that could turn out expensive for developing countries through expensive interest rates and ceding the right of access and exploitation of their natural resources or infrastructure projects on the long term.

Since China has also shown in the cases of some African countries such as Kenya or Congo, or from Ecuador and Venezuela that it changes or modifies the conditions of contracts and repayment plans, accepting these can imply further debts and in some cases bankruptcy. The cases of the port in Sri Lanka or the dam in Laos for instance, illustrate the case of countries being unable to cover the debt amounts and then subject to the cession of these infrastructure projects to China. Although this is not the case with Mexico because projects were cancelled before being built out of the reasons analysed in the next chapter, the risk underlying these loans for the receiving country remains the same.

Uncertainty therefore, can have serious implications for the country who accepts China's loans and infrastructure projects as the alternatives to either contribute to the development of the country or to cover existing debts or as in the case of Venezuela, using the loans to stabilize the local economy. The case of Chinese loans to Venezuela illustrates both the domestic complexity of each of the Latin American countries and the consequences of depending on China. The Latin American country has been using Chinese loans since 2007 and has been paying with raw materials, in this case with oil.

Venezuela has been facing domestic problems in both economic and political realms for the last ten years, where economic recession and crashes added to the sanctions imposed by the United States have impoverished the country and sharpened its dependency on oil. Petroleos de Venezuela (PDVSA) the largest oil producing company in the country owned by the state, has relied heavily on China as a market and most notably, on Chinese money. Sinopec constitutes the main creditor and manager of these loans and has sued PDVSA due to its inability to pay for 43.5 million in steel rebar (Financial Times, 2017).

In this specific case, the impact of Chinese investment in the region has varied, but its negative effects are furthered enhanced by domestic factors, as Pérez (2017, p.20) mentions, there is no palpable evidence of Chinese investment effectively harming the region more than that coming from other countries but, it has not created any new or distinctive opportunities for development. In some industries such as manufacturing, Chinese investment remains limited and as shown in the case of Mexico, they do not provide the space for local industries to be integrated to global value chains. Chinese subsidiaries focus on providing their own production lines with the components produced in China to assemble goods and sell them in the local market. The case of Dragon Mart in Cancún for example, shows that these business strategies provide the Chinese company with means to have a clear advantage to operate in the local market, which can displace competitors and give leverage on the long term.

In view of this kind of strategies destined to strengthen and feed the activities from SOEs overseas, the Chinese state through its foreign policy seeks to either fulfil a domestic policy urgency, such as obtaining raw materials or managing overcapacity, and to expand its influence. The use of state-backed support mechanisms granted to SOEs is given to these companies on the condition of becoming competitive, addressing policy ends and profit purposes. Although these measures are regarded as unfair trade practices that remain in the realm of illegality for purposes of the WTO legislation and most of its member countries, they can be analysed under the perspective of their use as a means for economic statecraft. Norris (2017) explains that there is a clear difference in using these measures for economic gain as opposed to coercive purposes, as from this perspective, the use of subsidies, price and currency manipulation by the state either through policy or SOEs is called 'bolstering', as it seeks to create an economic advantage for the state to impact negatively the target country's economic environment.

In view of this possibility, China can be a good alternative to diversify, but it should not be regarded as the sole or more reliable option, moreover in terms of loans. The academic and business man explained that China benefits itself from the needs from other countries to fulfil their objectives, a view also echoed by an anonymous source who explained that depending on a single partner or modifying the internal business and market structures like in the case of Brazil who adjusted some of its domestic regulations to satisfy China's needs and local demand, is a costly mistake, as Chinese companies have their own policies and interests. Baumuk and Rendon (2018) explain that commodity-driven relationships can boost economies that depend on natural resources but these relationships as opposed to other partners (such as the European Union), do not require building greater institutional capacity.

Since China has been using the 'no political conditions attached' to its financial instruments, the results can be a double-edged sword as while the receiving country can solve some urgent matters regarding its economic pressures, China can create others on the long term. The modification of local laws and regulations as well as creating other institutions to suit the interests of trade partners has been a constant critique from China to the West. The case of Mexico also proves that creating institutions or modifying specific aspects of domestic laws to comply with the conditions dictated by trade partners is problematic, as these mechanisms are unknown to local policy and lawmakers and therefore incompatible with domestic regulations. The problem of China's investment however, is despite its 'no strings attached' condition, it does not encourage development or provides benefits to the country on the long term or generates opportunities for the locals. The implications for the local population, therefore, do not go further from turning into observers as Chinese companies bring their own workers, as discussed in the last sections of the chapter.

Currently, China can provide considerable support to these developing economies but there is a risk of it finding cheaper goods and commodities elsewhere, which could result in damaging the resource-rich country. This risk is also highlighted by the Latin American authors mentioned in this research such as Rosales and Kuwayama (2012), Roldan, Castro, Perez et.al. (2016), Dussel (2015, 2016) and others who claim that Chinese investment does not enhance or strengthen local economies in terms of competitiveness and adequate institutional frameworks. One of the interviewees expressed that Venezuela's case of depending on China is not unique in Latin America, as Argentina and Brazil have also fallen into this scheme by changing their models of basic production to the methods brought by the Chinese aimed to satisfy their market.

Mexico has created specific models of production and manufacturing that have been used for years and that are unlikely to change. The country, as mentioned before, has a different profile compared to that of other Latin American countries that are focused on raw materials. Similarities in both production and economic profile between China and Mexico serve as substantial obstacles for the former to exercise economic statecraft, moreover with Mexico's domestic complexities. The academic and business man explained that Mexico is a country of small and medium producers, where there is no clarity in terms of the business and trade structures, as agreements and strategies tend to be subjected to circumstances where improvising constitutes an obstacle, as agreements and treaties of any sort require a clear structure.

Business people, as stated in the previous chapter, have their own concerns with China in terms of trade, but since most companies in Mexico are medium-sized, most are focused on the micro-level and leave management of markets and wider affairs to the federal government. In the previous chapter, an anonymous source explained that the business sector in Mexico has faced complications with China out of the lack of long-term vision and inability to look for other markets additional to the United States. China nevertheless due to its importance within global markets and its own domestic market, represents a good opportunity for diversification and trade therefore, Mexico can have exchanges with China without falling into dependency. Whether China is regarded as a threat or not, depends on the point of view and the issue at hand, as China can be an opportunity in terms of being a market but a threat from the perspective of unfair trade practices through subsidies. Professor Aleriano emphasised that the only threat that governments and central banks should deal with is the excessive indebtedness of China that could lead to a new global crisis.

The role of China as the largest creditor, as mentioned by a finance journalist, constitutes a source of leverage. Financial mechanisms such as buying government bonds and debt gives the buyer an advantage over the country, particularly in the case of holding debts coming from other governments. China possessing a major share of government debts from the United States (18%) for example, implies that China has built strong reserves in foreign currency and that if it decides to sell these shares of debt, the Treasure Department is forced to increase interest rates, therefore the costs of financing the world's largest economy would rise steadily and the United States on the long term, could lose its attractiveness due to its continuous generation of debt (Salobral, 2018). The implications of accepting credits or financing plans coming from China, implies accepting its terms and its peculiar banking conditions, which as mentioned by the journalist, have political conditions due to the nature of China's banks. The main challenge therefore is using these financial instruments for the benefit of the receiving country.

The academic and business man explained that China is implementing a long-term plan that is expected to last fifty years and is using its capital to fulfil the objectives outlined by this plan. The interviewee explained that China possesses the necessary political, trade and industrial skills with 'Chinese characteristics' that keep on changing and modifying according to the circumstances. The roles of the West and the developing world are essential for China's strategy, as according to the interviewee and as stated in the previous paragraph, foreign direct investment keeps on being an engine for the country to acquire capital and keep sustained growth.

The current trade war between China and the United States for instance, shows that the former cannot subtract itself from its importance for the global economy and that it is linked to other economies out of its financial advantages and capabilities. The impact of this trade war has been strong for both countries, as extra costs and tariffs get paid by the American and the Chinese people. Consequently, in terms of affordability a trade war ends when one side runs out of resources, but the impact on the rest of the world is unavoidable out of the leverage held by both powers.

Mexico's important presence within the oil and energy market and its dependency on the United States as a market, imply that it will be impacted directly or indirectly by China's actions and decisions, as its demand for raw materials and energy is connected and inherent to its development strategy. The oil and alternative energies consultant explained that China will increase its relative importance for Mexico in terms of trade and exchange volumes. Interdependence within energy and hydrocarbons market represents a source of vulnerability of

Mexico as due to the decrease of oil prices, the country has been suffering the effects of increases in the prices of fuel for the last three years.

The country has also invested efforts in opening its energy sector to private investors since 2013 to improve deep sea exploration, oil drilling and improving the current infrastructure for refining oil. In the fifth chapter, four interviewees from the Mexican oil sector revealed that concerns around access to the Chinese funds for infrastructure and their business practices comprise the biggest obstacle despite both countries owning platforms on each other's land. The presence of Chinese workers on platforms installed in a different country also raises concerns, as the more workers China has on the platform, the greater the leverage. In view of the importance of the energy sector for Mexico and according to the interviewees, it is difficult for private companies to gain leverage, as the sector is still controlled and regulated by the government.

Government concerns: The line between official discourse and awareness

In the case of policymakers, most of them were increasingly critical of China regarding the means by which it manages its economy, and the risks of having the government present within companies and the overseas community in particular. Interviewees showed that there is a stringent line between official postures and the actual perception from government officials. The official discourse of Mexico towards China that entails friendship and deeper understanding implies aiming for improved official encounters and increasing bilateral cooperation in trade and other issues. Nevertheless, Mexico has its own objectives to be fulfilled in China, as one of the conditions for closer interaction with China entails a greater presence and giving facilities for Mexican companies to offer their products within the Chinese market.

China's diplomatic discourse through the ideas of 'strategic associate relationship' and 'win-win' apparently has found echo in some sectors, but as explained by an anonymous source, this 'acceptance' gets increasingly blocked mainly due to a couple of factors. First, the mistakes of past administrations who have received Chinese officials with little adherence to the protocol that were further hindered by clashes, such as the case of President Calderón leaving Xi Jinping waiting for him in a hallway, receiving the Dalai Lama in 2011, the problem with the high-speed train and Dragon Mart, among others. Second, the presence of these clashes deeply embedded in the memory of Chinese officials. The source added that China's sense of memory is a double-edged sword where officials bear in mind good gestures in the same proportion as mistakes. The relevance of this 'diplomatic memory' and the meaning of these experiences are explored further in the next section.

The major argument behind the actions of Mexican officials is that China is not perceived in the same way by Mexico as China expects to be perceived. Government officials and policymakers in the country tend to be pragmatic in their perceptions about countries but in the case of China, there is a common concern regarding the discourse it has with developing countries. Interviewees from the sector emphasised that Mexico is not the same as Argentina, Brazil, Chile or Guatemala therefore China cannot expect to get the same acceptance it has had in these countries, or as said by three officials, regard itself as the option to solve the issue of trade with the United States.

Mexico as argued earlier, presents a different economic profile which according to an anonymous interviewee, is rather complementary with China. Since Mexico is also a manufacturing economy, there are imported parts and pieces that come from China for the assembly of appliances and cars. The source explained that for the same reason, Mexico avoids the risk of being dependent on China or turning more vulnerable in relation to the effects of the decrease of prices from raw materials. Mexico and China instead of the former depending on the latter have become a part of global production chains due to the similarities in their economic profiles. A relevant component for the success of economic statecraft is establishing a clear relation of benefit for the country that exercises it so, since most of China's partners in the region and elsewhere are raw materials providers and some have a free trade agreement with China, their vulnerability increases. The source explained that Mexico is not looking to replace a known and historical partner such as the United States for China.

China is regarded as an additional option to diversify, not as the priority to find funds or loans to develop the country or as a top partner that could take the place of the northern neighbour. One of the interviewees however, emphasised that an advantage of getting closer to China and increasing its presence in the country could be used as a bargaining card or as a deterrent for the United States. Three anonymous sources and Minister Maria Teresa Solis explained that one of the positive sides of strengthening contact and relations with China is the possibility to use the country as a bargaining chip against the United States, as the northern neighbour has had leverage on Mexico for economic affairs and disputes for many years that have had peaks since NAFTA entered into force and then intensified since 2016 with the Trump presidency.

The presence of China in the immediate border of the United States constitutes a watershed between Mexico and China particularly from the perspective of the former, as despite the problems coming out from the Trump presidency, China is regarded as a potential problem if it gets to expand its influence in Mexico. An academic and business man explained that in stark contrast to what official discourses have dictated about the issue, the presence of the United States does have an impact in Mexico's reluctance towards accepting China's attractive infrastructure projects. The interviewee explained that avoiding a conflict with the United States served as the second strongest argument targeted to the cancellation of the train, as opposed to the cancellation of Dragon Mart that was due to its environmental implications and its impact for the local population of Cancún. This argument of avoiding conflict with the United States by not allowing China to extend its influence in a strategic border was confirmed by three anonymous sources and by Minister Maria Teresa Solis.

The chapter analysed the domestic particularities from Mexico in terms of its distinct character as a democracy and the role of domestic politics affecting China's attempts for further involvement in the country. Policymakers in general, who are the major stakeholders in terms of accepting or rejecting China's terms, have chosen to 'manage' the bilateral relationship instead of allowing further involvement due to their concerns of the role of the Chinese state and previous experiences between both countries, added to the pressure of sharing the border with the United States.

Mexico has had two major incidents with China surrounding economic statecraft involving infrastructure projects where apart from concerns regarding the possible reactions coming from the United States, these projects failed mainly for the reactions of domestic stakeholders. Reactions coming from the local population, scandals involving the local political elite and the obstacles posed by local legislation prove that Mexico despite being a developing country, it is neither Africa nor other places in Latin America where governments constitute the major stakeholders. The two cases presented in the next chapter prove that domestic variables are essential for enhancing or hindering the success of economic statecraft and that Mexico represents a case where China's narrative and assumptions of the domestic needs and reality regarding developing countries is not accurate.

Chapter 8

The cases of economic statecraft: A train that ignited Los Pinos and a Conventions Centre threatening natural reserves

China's plans to build an infrastructure project in the country were implemented in 2014 with the project of a high-speed train that sought to connect Mexico City with the nearby city of Querétaro, which is around 220 kilometres depending on the departure point as shown in Appendix II. Since President Peña Nieto had a good relationship with China before starting his presidential mandate, his term represented the best opportunity for China to have a triumphal entry to the country by building this train and, it also served as a period of reconciliation after turbulent relations during President Felipe Calderón's administration.

This chapter focuses on the cases of the high-speed train and Dragon Mart as two major events where China encountered challenges and surprises, as Mexico's position as a democratic country implies that the actions and corruption of government officials and other state and non-state actors cannot go unnoticed by the people. In countries where the regime has control on most aspects of national life, the role of civil society is reduced to observation with little or no possibility for action out of the regime itself and further worsened by China's involvement with local political elites. Mexico, however, and as stated in the sixth chapter has a rather active civil society that is critical of its government and where it has a bigger involvement compared to other developing countries.

The case of the train explored below, shows the importance of civil society and of policymakers through the pressure exerted towards the central government for accountability moreover after the president himself was involved. The case of Dragon Mart also explored in the chapter, shows that even private projects with investors different to the state can also be held accountable not only by the Mexican people but also by the government. The role of domestic regulations from this perspective, has also had a strong role in inhibiting China's presence in the country mainly because environment, investment and labour standards in Mexico are clearly established and as shown in this chapter, both countries have major differences in how they interpret and regard these standards. The chapter concludes that domestic legislation added to the previous analyses of how perception determines the postures of the relevant stakeholders, serves as an additional major obstacle that hinders the effectiveness of economic statecraft.

The complications of joint-infrastructure projects

Infrastructure projects have become the landmark of Xi's 'Made in China 2025' as explained in the previous chapter, and one of the main instruments used by China to approach the developing world to obtain and guarantee the supply of raw materials on the long term. High-speed trains have become of the main projects offered by China through loans and financing coming from Chinese policy banks, such as the Exim Bank. Despite Mexico being more prone to prefer companies with a notable trajectory in the industry such as Bombardier, the political environment and conditions during President Peña's administration, created the adequate context for China Railway to be regarded as a good option for the train. Except for specific cases such as the Chicoasén dam built by Sinohydro and managed by the Federal Commission of Electricity (CFE Comisión Federal de Electricidad), Mexico has looked for advice from Canadian, French, European or U.S. companies instead of China. Consequently, Mexico has a wider spectrum of companies to host infrastructure projects that are more familiar with local conditions and regulations.

During the interviews, most of the participants expressed that bilateral relations have been characterised by disagreement and misunderstandings that have been either caused by the lack of knowledge from the Mexican counterpart or Chinese officials underestimating the domestic complexities of the country. China's strategy of consolidating an effective presence in the country gets undermined by the actions and behaviours of domestic actors, which are frequently unpredictable. Currently, Mexico and China have had a limited exchange in terms of investment compared to other places in the region, where in the cases of Costa Rica and Panama among others as argued earlier, China has established an effective presence through loans and infrastructure projects, which in some cases has been considered 'cheque book diplomacy' as economic instruments were provided after breaking relations with Taiwan.

In the case of Costa Rica for example, before 2007 there was no Chinese investment because the Central American country still had diplomatic relations with Taiwan, and then from 2008 to 2018 investment grew to 810 million USD after Costa Rica ended sixty-three years of relations with the island. The case of Panama who broke relations with Taiwan in 2017, presents a peculiar pattern where the country had no Chinese investment until 2015. Since Panama has an important role in managing one of the major trade circulation routes through the Panama Canal, China was no exception in expressing its interest to include the country to the Belt and Road Initiative. Investment indicators show that of the 3.16 billion USD poured into the country, more than half of the amount (1.75 billion USD) came in 2017 when Panama broke relations with Taiwan (American Enterprise Institute, 2018). China's attempts for entering Mexico, however, have been unsuccessful and filled with obstacles that ended up in costly cancellations. There are two projects between Mexico and China that have impacted bilateral relations negatively. These failures, instead of bringing closer cooperation, they have enhanced division and misconceptions.

The failure of Dragon Mart represents the reservations from Mexican people towards the Chinese as potential permanent residents and as business owners and at the same time, the importance of local policy concerns such as environmental standards regarded differently by each of the parties involved. Additionally, misconceptions from the Mexican people towards the Chinese were revealed through the reactions coming from local communities of Cancún and, China underestimated Mexico's needs and its economic profile. Economic statecraft cannot be exercised effectively if there is no clarity regarding the role and importance of the relevant stakeholders within the target country.

The failure of the high-speed train constitutes a complex case due to the number of actors involved in the problem. First, there is the federal government and its role as a stakeholder and as the main culprit of the problems that aroused during the bidding processes and corruption scandals. Second, there is the Chinese counterpart that played the role as the victim of these scandals and that had to be paid a full compensation. The role of the Chinese company, however, is also subject to additional interpretations as according to the interviewees large projects that involve such sums of investment and planning must imply clarity and transparency regarding the type of partnership and most importantly, require a strict knowledge of the counterpart. Finally, there is the agency of other Mexican institutions such as the Ministry of Finance that showed scepticism towards the origin of the funds and problems arousing from the train's quality control and maintenance. The failure of this project in the words of the interviewees has turned out to be one of the worst incidents with China after President Calderón met with the Dalai Lama.

Interviewees from the government sector explained that obstacles encountered in the process of these projects can be explained from two perspectives which reveal the nature of the factors that have undermined China's effective presence in the country. The first is China overestimating its importance for Mexico, where the country is regarded as an option for diversification and not as a priority. The second is Mexico's geostrategic importance for the region and its vicinity with the United States as deterrent factors for allowing Chinese presence to expand in the country. The third relevant factor as stated further in this chapter with the case studies and the sections devoted to laws in detail, are local policy constrains coming from laws and regulations for infrastructure and public works, particularly the restrictions and specifications established in the code for infrastructure, public works and other related services.

In the case of China overestimating its importance for Mexico, this comes because of divergent views from the relevant sectors and the lack of differentiation in China's strategy for Latin

America. The challenges faced by China in Mexico showed that developing countries are not the same and that even within the developing world, there is a myriad of differences between Africa, Latin America and Asia. Financial and monetary sources constitute an advantage and a source of leverage but as stated by an anonymous source, Africa is not Latin America and bilateral relations require further efforts, and successful development is not reduced to loans or large infrastructure projects such as airports (Sudan) or stadiums (Costa Rica).

A diplomat explained that China portraying itself as the suitable option for trade instead of the United States shows that the former underestimates the importance of the latter for Mexico and the region. Mexico and its neighbour have built a bilateral relationship that has evolved since the nineteenth century through agreements, conflicts and wars. Despite the obvious cultural and linguistic barriers that are rather divisive than targeted towards cooperation, both countries have achieved a fluid relationship that moved beyond the realms of trade agreements like the North America Free Trade Agreement.

The relevance of sharing the border with the United States tends to be underestimated by outsiders, as the face Europe and Asian countries see from Mexico's neighbour shows a world power that extends its influence either through economic or military means. Mexico on the other hand, has a clearer picture of the advantages of the United States but also of its weaknesses not only from the perspective of government relations but also from the socio-economic point of view. Thanks to common security threats such as the Drug War, Mexico is rather familiar with an unknown picture of its neighbour, as the United States to the inside presents an entirely different picture to the one it portrays through its foreign policy. This type of privileged knowledge, level of interaction and understanding cannot be achieved with a distant power like China, as even on homeland security and intelligence activities, both Mexico and the United States have a constant exchange of information.

The academic sector however, shows mixed views as most regard China as a good option for diversification but argue that the lack of knowledge keeps on being the biggest obstacle. Dussel (2009; 2015; 2016; 2017) in his work refers to economic indicators and provides a perspective of bilateral trade and the sectors that have potential to consolidate a profitable bilateral relation but has not addressed the part of infrastructure projects and financial instruments such as loans. The author states that in terms of exchange, quantity does not imply quality and that China is not the solution to solve the challenges posed by Trump. Dussel has also emphasised that Mexico is not institutionally prepared to consolidate bilateral relations with China on the short or long term, as lack of knowledge regarding consumer profiles and sanitary protocols from the public and private sectors is an issue (Farisa and Fontedeglória, 2017).

Professor Aleriano addressed other aspects from China in terms of the possible implications of its actions and the changing nature of its economic model, where it presents a flexibility to change from a model of growth of exports and investments to a model of increasing domestic consumption and basic social services. Another interviewee who is an academic and also a businessman warned that the problem with foreign direct investment in Mexico and with Chinese investment in the region in general, is that in most cases, it does not provide any know-how or technology transfer. Consequently, regarding China as the best or the most suitable option would be a mistake, moreover because the role of the Chinese government within the overseas investment equation is unlikely to change.

The existence of subsidies coming from the Chinese government according to a finance journalist constitutes an effective obstacle for both countries to build an equal relationship, as it raises concerns, favours monopolistic activities and damages local industries. China represents an additional option for trade diversification, but relations should be given on equal terms or in conditions that benefit both countries. Knowledge and transparency, as explained by a banker, are additional requirements that are essential for mutual understanding. The banker emphasised that differences in business culture and practices are a substantial obstacle for bilateral agreements, as they represent a non-verbal language that can be interpreted differently. Economic relations where all the involved parties enjoy the benefits represent an ideal model, but in the case of China's sector-specific and strategic investments (infrastructure, for instance), conditions tend to be fixed and benefits for the receiving countries in general, have been scarce.

The importance of local authorities, laws, regulations, interest groups and civil society is multivariable as each of them has their own agency, and play a different role depending on the country. China's involvement in the developing world has not gone unnoticed by people in these countries out of the effects of its presence and the implications of accepting loans and infrastructure projects. Therefore, there are different actors involved in these projects that have acted as enablers or stakeholders for successful economic statecraft or, that have served as an obstacle that has hindered China's effective presence in the country. The cases of economic statecraft attempt in Mexico show that domestic stakeholders such as the government and civil society have a relevant role to either facilitate or complicate China's projects.

The Mexico-Queretaro high-speed train serves as an example where the government acted as an enhancer, but unforeseen circumstances turned it into an obstacle out of concerns coming from the pressures of public opinion and the business sector. In this case, the Mexican people served as the preferred constituency that forced the government to change its position as a facilitator into an obstacle out of accountability claims. Dragon Mart on the opposite constitutes a case where the government turns into a means for addressing concerns coming from the civil society regarding environmental degradation and unfair trade practices. The Ministry of Environment and Natural Resources (SEMARNAT-Secretaria del Medio Ambiente y Recursos Naturales) in practical terms, has become the second biggest obstacle for China in Mexico because it banned Dragon Mart and banned another project of a touristic complex in Cabo Pulmo (map in Appendix III) out of environment concerns.

The role of corruption and illegal activities has proved to have a pivotal role inside China's entry to Mexico, as except for specific goods such as steel and textiles subject to anti-dumping, the country is flooded with articles made in China. Mexico has a strong sector of 'informal economy' which is seen mainly in the streets and markets around the country where vendors sell goods and do not pay the required taxes and lack a shop or a building where they could carry out their trading activities. Informal economy from this perspective is defined as a series of buying, selling and trading activities that are not subject to a tax regime or fiscal regulations. Minister Teresa Solis emphasised that the problem of allowing these goods into the country falls entirely into the responsibility of Mexican authorities and the people who buy them to resale in a higher price. These actions have affected the country and the local economy because people will always prefer to buy cheaper goods, but the problem relies on the use of these illegal means to achieve other objectives through corruption. In Mexico corruption is a widespread problem that has proved to have presence in the public, private and social spheres, and it can serve as a good means to facilitate economic statecraft, moreover if government authorities are prone to it.

Araujo and Cardenal (2011, p.152) illustrate through the cases of Angola and Guinea Conakry that Chinese conglomerates have been able to operate successfully in resource-rich states where there is a lack of transparency, turning political elites into their favoured parties to do business. The authors confirm the role of corruption and illegality as key to the success of economic statecraft where local governments and private individuals have their own agency. China as a pragmatic country is looking for bargains that could bring a positive outcome such as extending its influence, but the receiving country also has a share of responsibility on the matter and, in the case of Mexico corruption created suitable spaces for the high-speed train and Dragon Mart to develop the possibility to flourish. The two cases of economic statecraft in Mexico analysed in the following paragraphs reveal the role of local governments and other actors in possessing a share of the responsibility.

The Mexico City-Queretaro High-speed Train

The Mexico City-Querétaro high-speed train infrastructure project represents one of the most ambitious attempts and a watershed that could have marked the consolidation of China's presence in Latin America and its expansion throughout the region. Mexico, as stated earlier by an interviewee, represents a cultural bridge between North America and the rest of the region therefore, it is strategic point for extending China's influence further to the nearby countries. The project also had a symbolic importance because, as stated by two anonymous sources, it also represented a possible amendment of differences between both countries after the disasters of President Calderón's administration.

Additionally, one of the sources explained that this project would also have a geostrategic dimension where China exerts influence by providing middle-sized economies with infrastructure to grow. One of the interviewees echoed this view and concerns of other Latin American critics like Araujo and Cardenal (2011, p.23) by emphasizing that such projects and influence have been interpreted as 'a silent conquest', but the consolidation of such 'conquest' as shown in the case of Mexico, depends entirely on the role of domestic stakeholders as facilitators or inhibitors. In practical terms, China has been successful in extending its influence in the region from the economic point of view, as it has a strong presence in big countries such as Argentina, Brazil, Chile and Peru, but in terms of political influence, except for the cases of Central America, where Costa Rica has broken relations with Taiwan after a Chinese investment, its political grip is still limited. Mexico from this perspective represents a middle ground where Chinese and American influences and interests could interact. American interests and influence however, are more palpable in some countries out of historical or strategic reasons, where Colombia and Mexico are representative examples.

The original project consisted on a high-speed train that would cover one of the busiest routes in the country. Currently, Mexico City and Querétaro as shown in Appendix II are connected by a highway that extends 218 kilometers to the west of the former, and it takes around three hours to get to the latter depending on the traffic. Querétaro has become a relevant city with an increasing importance due to the presence of companies like Samsung, LG, Hyundai, Nachi-Fujikoshi among others that have turned it into a major manufacturer of cars, aerospace industries (Airbus and Boeing subsidiaries) and technology. The province is part of a region known as 'El Bajío' located between the north and the center of the country, as shown in Appendix II. This region is formed by the provinces of Aguascalientes, Jalisco, Guanajuato, San Luis Potosí, Querétaro and Zacatecas where car-making companies and technology giants gathered in industrial parks, have built plants that produce goods destined to cover the North American market and, in some cases, markets in South America. Currently, thanks to the trade dispute between China and the United States, the former along with Mexico's closest Asian partners Japan and South Korea, has plans to invest further in the province out of the geographic convenience, as producing goods in bigger cities such as Guadalajara or Monterrey is expensive. The project of the high-speed train from Mexico's perspective represented a milestone in terms of making transportation more efficient from the capital to the city.

According to the Ministry of Transport and Communications (SCT Secretaría de Comunicaciones y Transportes), the train was estimated to carry around twenty-three thousand passengers everyday and the trip would last fifty-eight minutes as the train would move at a speed of 300 kilometers per hour (T21, 2014). The Chamber of Deputies (Cámara de Diputados, LXII Legislatura) issued a report that argues the importance of the project, naming it as 'one of the most important infrastructure projects of transport and communications of the current administration due to its benefits in terms of economic growth and mobility opportunities for people living in the central part of the country' (Cámara de Diputados, LXII Legislatura 2015, p.2).

This project would diminish the quantity of cars on the highway and was expected to benefit twenty-five million people. Mexican sources explained that it was also expected to generate employment for the locals, an idea highly contested by the interviewees, particularly by two anonymous sources who explained that Chinese infrastructure projects imply having a considerable if not a majority, of Chinese workers. The number of workers from each nationality remained unclear because the project did not materialize and, as stated in the last sections of this chapter, there are additional restrictions coming from local laws.

The bidding process started during the first half of 2014 and the proposal from China Railway Corporation, a state-owned company was declared as the winner on November. The Chinese company participated in the bidding in a consortium with Grupo Higa, a building company that belongs to Armando Hinojosa Cantú, a Mexican business man who is known to be close to President Peña Nieto. Grupo Higa has had a wide participation within important infrastructure projects, such as the Mexico City airport, highways, hospitals, among others (El Economista, 2014).

Public opinion and pressure constituted the main source for the Ministry of Communications and the Minister, Gerardo Ruíz Esparza to cancel the bidding and be held accountable for this cancellation by the Senate. The deal uncovered by a group of journalists lead by Carmen

Aristegui a popular opinion leader, caused a major problem with the Chinese company and a corruption scandal where President Peña Nieto was accused of benefitting Grupo Higa with more than eighty government-related contracts and the company was also accused of gifting a 7 million dollar house to the President's wife, a matter that brought further public outrage and a debate around inequality related to the abuse of power.

The Chamber of Deputies intervened in the problem and created a special commission to analyze the issue, pacify public opinion and most importantly, add legitimacy to the cancellation of the bidding. The Chamber claimed during March of 2015 that '…Since this topic [the bidding] became transcendental for the country, policy makers and the general public have expressed numerous concerns and asked many questions regarding how the bidding process was carried out, about its outcome, and most importantly its cancellation, as the reasons behind the decision favorable to the Chinese SOE and the cancellation of the project are not entirely clear'. (Cámara de Diputados, LXII Legislatura 2015, p.2).

The interviewees argued that there are two sides around the cancellation of the train: the official version and the geo-strategic version. In the case of the former, they explained that due to the sensitivity of the topic, finding accurate information of the matter is difficult as government officials are banned from addressing the issue. Two anonymous sources argued that the train represented a fatal blow for China, for the Communist Party and to their assumption of good terms with the government as a guarantee for good relations with developing countries. Legal constraints existing in Mexico, as explained by a diplomat, constituted a new thing for China as well due to the similarity of the Mexican laws and legal framework to that of European and American ones. Mexico does not have the same laws and the same procedures as other Latin American countries therefore, assuming that entering to the North American country in the same way as China entered to Brazil or Venezuela, represented a serious miscalculation.

The failure of the Chinese SOE to consolidate its project was due to the circumstances caused by Mexico's complex political environment. Consequently, China Railway was the alleged victim and sued the Mexican government by claiming a payment of 600 million dollars for the cancellation. The issue of corruption as a widely spread problem in the country is a known matter for the international community, therefore the Chinese company out of strategic reasons should have taken such reputation seriously. The Mexican political elite varies according to the circumstances and act differently according to the party and even the president as argued in chapter seven, therefore Mexico is not Angola or Kazakhstan where the president has been there for more than twenty years or Sudan where the political environment depends on the president.

The interviewees who addressed the issue expressed that labeling the Chinese company as the victim is a double-edged sword. Scandals around the President and government contracts, as told by an anonymous source, cannot be considered as something unknown to outsiders, therefore the argument of the SOE as unaware of what is Grupo Higa, who is behind it, and people close to the owner is contested. The issue was widely discussed within the media and the public, as Grupo Higa gifted a house to Angelica Rivera, President Peña's wife in return of being given priority in this and other biddings. The scandal revealed by Aristegui caused that both the president and his wife, and the Minister of Transport and Communications were pressured to be held accountable.

The role of political elites as a key element inside China's economic statecraft strategy as seen with Grupo Higa and others is not new, as in the case of Angola for example, where the son of President Dos Santos serves as the representative of Chinese investment companies in the country, or the case of Myanmar where Chinese companies had negotiations with the military junta regarding mines for jade extraction (Araujo and Cardenal 2011, p. 152), shows that there is a strategy behind the creation of potential stakeholders in the country for the success of economic statecraft. Political elites in developing countries such as Mexico have a major role in allowing, facilitating or constraining deals with other countries.

Additionally, one of the sources was critical regarding the role of corruption as a problem that is not exclusive to Mexico, as corruption is also present within China's business practices. A project of such dimensions, size, capital and quantity of companies involved requires a strict knowledge of the parts involved. In view of this, besides of the corruption scandal, the project was also cancelled out of legal and financial reasons that show skepticism towards the nature of the Chinese SOE and most particularly, the origins of the funding for the project as Grupo Higa is a private company opposed to China Railway which is represented and managed by a government.

The report from the Chamber of Deputies states further that the Minister of Communications claimed that due to the technical and political concerns caused by the project, he considered that approving it entailed a risk and that further complications were expected. The Minister claimed that signing the contract would imply considerable financial losses, as the winning consortium like any other company, would claim for compensation to be paid either through machinery or workforce in case of possible delays or contract breaches (Cámara de Diputados, LXII Legislatura 2015, p.37). Therefore the Minister considered not signing the contract as something necessary to protect the interests of the Mexican government based on the dispositions stated in the Regulations for Public Works and Related Services (Reglamento de la Ley de Obras Públicas y Servicios Relacionados con las Mismas), article 47, paragraph IV (Cámara de Diputados, LXII Legislatura 2015, p.11).

The cited Article 47 from the Regulations for Public Works and Related Services states that signing the contract with the consortium is a task that belongs exclusively to the government agency that promoted it. In this case, this task is to be performed by the Ministry of Communications (Cámara de Diputados 2016, p.32). The fourth paragraph states the specifications to sign the contract, where in case the contract is not signed or ratified by the government agency, the consortium will be compensated in case it has incurred in any costs whilst preparing its proposal and therefore not obliged to carry out the works. The report also cites Article 48, Paragraph II as an additional disposition that justifies their decisions to cancel the contract. The paragraph states that all contracts are subject to the deadlines specified by the government agency or fifteen days the latest after the deadline. The relevance of these dispositions, apart from stating deadlines and responsibilities, is the role of the Mexican government as the sole decision-making body.

The report includes versions from the members of the Chamber of Deputies regarding their concerns towards the decision made by the group of civil servants and Senators who questioned the process and interrogated the Minister of Communications. While the report states clearly that the consortium complied with the bidding requirements, there is a gap between the arguments of the Minister of Communications and the arguments from the Senate, as had the consortium complied with the requirements and had no conflict of interests, the reason behind cancelling the bidding and the contract out of purely political considerations, is not entirely clear.

The cancellation of the contract according to official versions, was the result of discussions held with the Chamber of Deputies and also out of various concerns expressed by members of the Senate, where some claimed that there were other companies involved in the bidding process that were not allowed to participate because the Ministry changed the dates, and that the money that China Railway intended to invest in the project was superior (60 billion Mexican Pesos) to that proposed by the Ministry of Communications (43 billion Mexican Pesos), which also raised concerns (Partido Acción Nacional Senado, 2014).

Added to the political risks entailed by the approval of the project, interviewees argued that there were further concerns on the matter related to the presence of China in the country and the use of economic statecraft. Maintenance and know-how, according to one of the anonymous sources, constituted an additional issue. China, the source argues, uses a 'mercantilist approach' in their infrastructure projects with the purpose of 'tying' clients as when the Mexican government asked for clarification regarding maintenance, the Chinese argued that they would take responsibility on the matter by providing maintenance themselves.

In Mexico, complex infrastructure projects that require maintenance and materials, as argued by the interviewee require by law to have trained technicians in the country, a guarantee of the project and the materials required in case of repairs. The source explained that China Railway intended to provide maintenance to the train through Chinese technicians, which necessarily implies building and enhancing dependency. Mexico has trained technicians for airports, highways, ports and railways who are responsible for maintenance works and repairs, and in the case of the train, the source explained that a Chinese technician would be required every six months for these tasks. The interviewee emphasized that the lack of a concise and clear guarantee of the work represented an additional problem that encouraged distrust and skepticism towards the project itself.

The report from the Chamber also claims that the Ministry of Finance (Secretaría de Hacienda y Crédito Público), the Ministry of Communications and other government organs such as the Ministry of Government Performance (Secretaría de la Función Pública) approved the necessary means for granting legal certainty to the project. The Minister of Communications however, was interrogated by the Deputies regarding the existence of a conflict of interests that sought to benefit the consortium lead by the Chinese company. The civil servant expressed that none of these government agencies expressed a preference towards the consortium as the most suitable option for the bidding and that they were aware of the group of people participating in the project since the beginning of 2014 (Cámara de Diputados, LXII Legislatura 2015, p.12).

The conflict of interests regarding Grupo Higa and the ties it had with the President are variables that add complexity to the case of economic statecraft but comprise an independent case in relation to the Chinese company and its own objectives and agency. The report argues that the Ministry of Finance analyzed the credit coming from China Eximbank but does not provide details of why the Ministry did not approve the use of this credit except that the interest rate would have been favorable to Mexico (Cámara de Diputados, LXII Legislatura 2015, p.11). The Law for Foreign Investment (Ley de Inversión Extranjera) analysed further in this chapter states in its seventh article, paragraph XII that railways among other activities, are restricted to 49% of foreign investment but, this percentage can change only if it gets approved by the National Commission for Foreign Investment (Comisión Nacional de Inversiones Extranjeras). A Chinese newspaper revealed that China Eximbank was aiming to finance 85% of this project (South

China Morning Post, 2014) which could have been banned on the long term out of legal and economic concerns.

This incident between both countries created a gap that enhanced distrust from China to Mexico, as despite the attempts from President Peña's government to give priority to the bilateral relation, Mexico ended up being a more complicated case than those in Latin America. A diplomat, Minister Solis and two anonymous sources explained that rebuilding trust after the incident of the train would take longer than what the Mexican counterpart expected due to the strong memory possessed by Chinese officials. Currently (March 2018) the new government has sought contact with China, but distrust prevails despite recent meetings between Marcelo Ebrard, the Mexican Minister of Foreign Affairs and Wang Yi, State Councilor and Foreign Minister in November, 2018.

The issue of miscalculation has also resulted to be costly for China, as apart from the compensations to be received by the Mexican government, they underestimated the role of local politics and sharing the border with the United States. In the words of an academic and business man, allowing a project of such dimensions financed through Chinese capital, built with Chinese materials and by Chinese workers leads to the second argument against the train regarding geostrategic concerns, as it would raise concern and suspicions from the United States. The case of Dragon Mart discussed in the next section also proves that using Mexico as a hub like Dubai is convenient but entails other risks due to the neighbor that makes trading activities rather complicated.

Dragon Mart: The role of civil society as stakeholder in economic statecraft

Dragon Mart constitutes a special case due to the actors involved, as compared to the case of the high-speed train, the conventions center raised controversies on both public and private levels where the pressure from civil society was prioritized by the government. In this event, as shown in the first part of this chapter, there is the presence of the Mexican government through the Ministry of Environment and Natural Resources (SEMARNAT-Secretaria del Medio Ambiente y Recursos Naturales) as the means for civil society to pressure the individuals and companies involved in the project to be held accountable for violating the law, as the centre was planned to be built in a protected natural reserve in Cancún (map in Appendix III).

The role of civil society in this case is essential, as one of the differences between Mexico and other places where China has been successful with resources extraction, is that Mexico has a rather active civil society that has been able to influence government decisions on matters related to human rights, environment protection and political affairs among others. Perceptions of Dragon Mart as a threat for artisans and the local populations of Quintana Roo is explored further in this section, as the anti-Chinese sentiment is also present and involved in the attitudes and reactions from the people to the development of this project.

Araujo and Cardenal (2011, p.114) explain that a major problem with the lack of regulation mechanisms for SOEs and their activities overseas, is the absence of a civil society and organizations in China that effectively pressure the government to watch after the actions of these companies. Evidence shows that China has precedents of companies causing environmental problems or issues related to human rights in the countries while extracting minerals or building infrastructure projects. The case of jade miners exposed to toxic substances in Myanmar or the potential risks coming from the dams built by China in the Mekong River for Laos, Thailand and Vietnam in terms of water supply are two examples.

The differences in domestic perceptions regarding standards and environment protection are more evident in the case of Dragon Mart than on the issue of the high-speed train, as in the case of the latter, regulations regarding maintenance and foreign workers are part of the Mexican law and therefore unavoidable. Despite China's infrastructure projects present themselves as options with 'no political conditions attached', there are other conditions that are implicit in these deals therefore as Araujo and Cardenal (2011, p.285) mention, accepting loans or infrastructure projects goes beyond the idea of China as a business partner only, as it also implies acceptance of Chinese standards and values, which are ambiguous in terms of environmental, social and labor rules. Dragon Mart shows that domestic legislation in developing countries can serve as an obstacle for either establishing businesses or infrastructure projects regardless of their origin, as Dragon Mart was mostly of private investment (90% Mexican capital) but targeted towards China's advantage with the number of shops showcasing or selling Chinese goods in the complex.

Dragon Mart was planned to be a conventions center and a market that intended to be a trade and exchange space for worldwide buyers and sellers in the popular touristic destination of Cancún in Quintana Roo. The center was to be in a convenient area near the airport and the maritime port of Morelos, which are on the outskirts of the city and a short bus ride to the touristic area to the north. The complex included 12.7 hectares of exhibition spaces, 722 villas for residential purposes, 4 hectares for storage space, 1.3 for a commercial area and 38 of urbanized area. Dragon Mart according to the site in Dubai is described as 'the largest trading hub for Chinese products outside of mainland China and offers a unique platform for traders of Chinese goods (…)'. (Nakheel Malls, 2018).

The center would include an area with 32 spaces for Mexican sellers to showcase their products and the rest would be destined for Chinese goods and other products. The planners argued that it sought to turn Cancún into an 'international business center' that could be equaled to Panama or Las Vegas and increase trade with China and other countries and serve as a convenient place for Latin American countries to buy good quality goods at a better price (Lopez, 2013). The complex of Dubai shows that most of the stores and posts in the commercial complex are of Chinese goods, where people can find from home furnishings and electronics to building materials, making it an attractive place for traders in the Middle East and North Africa. There is also another Dragon Mart complex in the same city where there are a variety of restaurants, a cinema and a hotel. Araujo and Cardenal (2011, p.285) explain that the project used in Dubai serves as the blueprint for the one that was expected to be built in Cancún, where in the case of the latter, it was also expected to include a housing complex.

Dubai, however, is a popular trading and financial hub where businesses and companies establish their headquarters out of the convenience and tax benefits granted by the United Arab Emirates to develop the area. Cancún does not have the same scheme, as it is rather known to be a popular tourist destination, but it does not possess the necessary means to turn into a trade or commercial hub unlike other ports in the country like Veracruz or Ensenada. Additionally, the province of Quintana Roo is rather known for its ecological reserves and tourism-related services, therefore Cancún's appeal as a tourist destination varies greatly from that of Dubai where tourism is secondary.

The province of Quintana Roo (maps in Appendix III) apart from being a popular tourist destination, it is also important in terms of natural reserves and protected areas, such as Bacalar and Sian Ka'an where development activities are restricted and mostly forbidden (Gobierno de Quintana Roo, 2017). The province, due to its proximity to the sea has important reservoirs of water that are connected through underground channels. These freshwater reservoirs can be in the form of lagoons or in well-like shapes known as 'cenotes' that can also have salt water underneath fresh water. The cenotes are famous for their shape and meaning for the Maya culture, but their importance for the environment relies on being freshwater wells that include caves with strong currents running underneath.

Since water bodies are connected underground in this province, pollution represents a serious threat, as lagoons are also home to endangered species such as corals and manatees. Mangroves constitute an additional source of concern for the locals and as an obstacle for building companies and developers, as it is considered an essential source of protection in case of natural disasters, such as floods and hurricanes. Destruction of mangroves implies a problem on the long term because they serve as natural breaks and filters for hurricanes to reduce their force and for water to be absorbed therefore destroying them implies further floods for the city.

Dragon Mart was expected to be built in an area that is near the coast and that would damage coral reefs near the area of Puerto Morelos (detailed map in Appendix IV), and a mangrove area in a corridor known as 'El Tucán' that is registered in the National Inventory of Forestal Areas (Inventario Nacional Forestal) (SEMARNAT, 2015). El Tucán also serves as a part of the route for birds to the sea and lagoons, as it is included in the hydrological region known as 'Cancún-Tulum Corridor' and in the priority marine region of 'Punta Maroma-Nizuk'. Despite arguments coming from the main builders and supporters of Dragon Mart, according to local environmental groups and further investigations made by the government, the project was violating the law by not having a permit to build in that area and by not giving guarantees of environment preservation and the restoration of mangroves.

Juan Carlos Lopez, who served as the representative of Dragon Mart argued that permits were granted by the local government of Quintana Roo and that the pending permit was to be granted by the municipality of Benito Juárez where the site was located (Expansión, 2015). Since there were dissimilar views coming from the federal government and the provincial authorities, public opinion directed its attention towards a case of bribery to the authorities of Quintana Roo and the municipal authority of Benito Juárez, as after cutting 200 hectares of mangroves the federal government banned the project and imposed a fine of nearly fifteen billion pesos to Dragon Mart. Activist groups such as the Mexican Centre of Environment Law (CEMDA Centro Mexicano de Derecho Ambiental) were targeted with intimidations by anonymous individuals through social networks on the day in which the Senate intervened in the problem (El Universal, 2015).

The Senate through the Special Commission for Climate Change pronounced strong arguments against the project by arguing that it is incompatible and non-viable because of its violations of federal and local laws, and because it implied other development works that threaten the conservation, restoration and preservation of mangroves, which represents a direct threat for the region. Quintana Roo has fifty percent of the total of mangroves in the country, and Dragon Mart would be in a place that is just next to a coral reef preservation area (Senado de la República, 2015).

The Federal Agency for Environment Protection (PROFEPA Procuraduría Federal de Protección al Ambiente) pressured for further investigations regarding the sustainability of the project and imposed additional fines for 10 billion pesos due to the findings of no previous assessment of the environmental impact of the project, and fines for damage to forest and recovery costs (SEMARNAT, 2015). The Senate also argued that future implications would result in an ecological catastrophe, as Puerto Morelos is dedicated to eco-tourism, snorkelling and fishing, therefore the presence of Dragon Mart would imply having containers, buses, and infrastructure to process and transport merchandises which would eventually require further work and additional damage to the area (Senado de la República, 2015).

The incident of Dragon Mart and those involved in the project shows that domestic actors have their own agencies and interests therefore they can either serve as stakeholders or as obstacle for infrastructure projects. Consequently, despite the attempts to obtain the permits from local authorities, the federal government got involved in the problem out of concerns coming from civil society through groups that advocate environment and biodiversity protection. Environmental impact, however, was not the only argument behind the cancellation of the project, as business circles and people in the area foresaw other implications.

Cancún is a famous tourist destination in the country for both locals and foreigners, as it attracts around 8 million tourists according to recent statistics, as it has the advantage of offering both beach and city lifestyle. Around 50% of the people in Cancún work in tourism related businesses such as hotels and as guides in popular attractions. People in the south of Mexico (Guerrero, Oaxaca, Chiapas, Quintana Roo) in general are also dedicated to handwork and artisanal crafts, and since they are highly valued as souvenirs, around 20% of the population dedicated to tourism find their main source of income in handicrafts.

The perception from businesspeople towards China was noted in the previous chapter, the arts and craft sector, however, has similar concerns regarding Chinese products not only in terms of costs and production but in terms of intellectual property. Artisan networks of the country, such as the Artisan and Creative Hands Network (Red de Artesanos y Productores Manos Creativas) have reported that Chinese producers steal the design and label it as 'artisanal' whilst the production of these handicrafts is industrial. The reproduction of these products in an industrial scale diminishes the value of the handicraft and therefore the work of the artist (El País, 2017).

Consequently, not only the industrial chambers and the private sector expressed concerns against Dragon Mart but also the local population of Cancun that is comprised of artisans and people who work for the tourism industry. The local population of Quintana Roo in general, reacted negatively to the plans regarding the housing complex that was assumed to host Chinese families near Dragon Mart. The sentiment of Sinophobia aroused during the time of building works, as people feared the presence of Chinese living Cancun, as Quintana Roo keeps indigenous population such as the Maya who alike other groups in Guerrero and Oaxaca and others, would not welcome the presence of foreigners on the long term.

The Senate argued that the economic impact to the national economy was also a risk, as Mexican companies are struggling to compete with Chinese products (Senado de la República, 2015). The relevant groups such as think thanks and the Confederation of Industrial Chambers echoed the argument by claiming that the top priorities in international trade should be quality and minor costs, increase exports and broaden supply chains, therefore exporting imports is not competitive and does not develop the local economy. Dragon Mart from this point of view was aiming towards a model of imports exportation where Mexico would turn into the platform for exporting imported Chinese goods to other parts of the continent, particularly towards Central and South America.

The Centre of Economic Studies for the Private Sector (Centro de Estudios Económicos del Sector Privado) alike the interviewees from the business sector, argues that trade and these projects should be planned and built on equal conditions for the parties, not by turning Mexico into an exports platform with imported goods that have a government subsidy and subject to dumping. The Mexican counterparts, therefore, are not competing against Chinese businesses or companies but against an economic policy dictated by the Chinese government (Foncerrada, 2016).

The private sector argued that a major problem were the conditions and facilities through which Chinese companies would operate in Mexico. The local government and the Dragon Mart project director signed an agreement that included conditions which, according to the private sector, are never given to Mexican companies and showed the presence of subsidies and opened a gap for bribery. These conditions ranged from 100% of tax exemptions for salaries and domain translation, 75% of taxes related to property acquisition would be subsidised and a discount of 50% off for the building license. The conditions given for Chinese businesses, therefore, are unequal to those given to Mexican companies putting the latter on a vulnerable position and would be subject to leave Dragon Mart on the long term. Mexican businesses and companies are responsible for the planning and the cost of their commercial activities, their expansion and acquisition of property for their companies or shops.

The Confederation of Industrial Chambers also voiced its concerns towards the threat presented by the presence of Chinese goods. This project would facilitate the entry of 300 tons of Chinese goods into the country per year valued in 2 billion USD that would displace a similar number of Mexican products, therefore the project encourages investment to produce goods in China and Mexico would not have a tangible benefit just as the platform for exports (El Financiero, 2014). Additionally, the chambers argued that piracy is a serious problem, as goods enter the country with falsified invoices, prices below the production cost, fake labels, and low quality that would violate standards required by the local laws.

Minister Solis explained that the problem of informal trade activities and illegal trafficking represents a gap that must be regulated urgently, as it has become a suitable means for Chinese goods to enter the country. The case of Dragon Mart would not have been the exception for illegal activities but the responsibility of the locals in allowing or facilitating the access of these goods or these activities is key and unavoidable. The Minister explained that the responsibility of Mexicans in accepting bribes and damaging the country is clear in the case of the illegal fishing of the totoaba fish, as the fish's bladder is highly valued in the Chinese market due to its health properties according to traditional Chinese medicine (El País, 2018).

Totoaba fish lives in the Sea of Cortés near the Pacific Ocean and is an endemic species of Mexico and, since it is in danger of extinction, fishing is forbidden. The problem comes due to the market value of totoaba bladder in the Chinese market, which can achieve up to 10,000 USD per pound, an amount that is worth the risk for illegal fishing (El País, 2018). The illegal fishing of totoaba raised the alarms due to the close link to the extinction of the Gulf of California porpoise, known locally as 'vaquita marina' (little sea cow). The Minister explained that vaquitas get stuck in the nets used for fishing totoaba and that this has caused the species to be reduced to thirty, making it impossible for the animal to survive.

The case of illegal fishing shows that environment standards for both sides have a different meaning. An anonymous source explained that younger generations of Chinese have started to raise awareness of the consequences brought by their patterns of consumption nevertheless the need for these goods and raw materials is expected to grow. Mexico, opposed to the cases of Angola, Sudan or Myanmar, has a stronger legal framework that can cover the activities of foreign companies in the country. Despite the existence of laws, and as explained with the case of Dragon Mart, the high-speed train and the example cited by one of the interviewees, the agency of local population, civil servants and government officials is essential and determinant for their role as stakeholders and facilitators of economic statecraft.

The role of domestic legislation

Domestic rules and regulations constitute a core aspect in the success or failure of economic statecraft that can either enhance or hinder its effectiveness. The Mexican laws have a rigid structure in terms of priority given to other regulations besides the constitution. International treaties for instance, are placed on the second place after the constitution in terms of legal relevance. Laws created and enacted by provincial governments, therefore, cannot be observed before an international treaty or the constitution, as Mexico is a federation. The fact of Chinese cities having treaties or 'friendship associations' with Mexican cities in provincial areas therefore, does not imply that the provinces can operate outside the legal framework provided by the constitution. Despite government agencies and activities are centralised and limited in their related activities to Mexico City, the case of Dragon Mart and the scandal with the government of Quintana Roo shows that as a federation, no province is exempt of being subject to control and observance mechanisms from the federal government.

The role of government officials, civil servants, individuals and local elites as shown in the two cases is also pivotal. Economic statecraft to be successful requires these actors to work as stakeholders for these economic means to effectively affect domestic policy and decisions for the benefit of the sender (China). Laws in Mexico are stringent in terms of the admittance of foreign workers to the country and strict for environmental standards. The role of additional variables such as corruption, undermine the effectiveness of these laws and entails the risk of these either be ignored or interpreted depending on convenience.

Mexico as mentioned in the fifth and sixth chapters holds an extensive network of trade agreements and associations. International treaties in Mexico go through a lengthy process of analysis from the Congress, comprised of the Chamber of Deputies and the Senate. Since the years of President Salinas de Gortari (1988-1994), the country became more open in terms of adapting its local legislation for creating legal frameworks that could suit the parties involved in trade agreements. The case of the Free Trade Agreement between Mexico and the European Union signed in 2000 for example, required the former to modify some of its civil and penal codes to include a framework that sought to protect and observe human rights during judiciary trials.

The modification and creation of new laws in the country must follow the same procedure of approval within the Congress and its chambers and, since these laws are included in the federal codes, all provinces must observe and follow them. The strict and inflexible processes of laws in the country, therefore, are not the same as in other states where institutions work differently or where decision-making and the creation and modification of laws rely solely on the Head of State. Mexico despite its position as a developing country does not present the adequate domestic environment for China to influence domestic legislation to its interests. Although there is a political elite that can exert pressure on the laws, unlike states like Burma or Congo where political elites have control, in Mexico there are other actors involved in the process. The country, however, presents a gap between implementation and observance of laws due to additional variables (such as corruption) that work against their effectiveness. States that have a high corruption index offer an adequate breeding ground for greater influence, increase dependency and therefore, enhance the effectiveness of economic statecraft.

The cases of Angola, Guinea Conkary, Myanmar or Laos for instance, show that corruption and inequality are two variables that can effectively work in favour of China's interests but, the responsibility of enhancing this success regardless of the costs for the local population relies on the local elites. Yeh (2016, p.277) mentions that Chinese investment is brought in through a significant degree of agency and desire by state authorities and elites in host countries, where the motivations of the latter for accepting China's presence are diverse. Araujo and Cardenal (2011, p.175) explain that this mechanism can be labelled as 'infrastructure in return of loyalties'. The cases presented in this research prove that the assumption of developing countries as corrupt or easily corruptible entities where bargains, negotiations and trade are facilitated by elites using financial resources is problematic because as Mexico's case shows, elites and civil society vary.

Several interviewees from the public sector emphasised that Mexico has a different way of working and different procedures that are clearer in terms of restrictions and allowances, added to the variable of a more vigilant society compared to that of other developing countries. Mexico's domestic context and political profile cannot be compared to Myanmar where there used to be a military junta or to Angola where the last president ruled for sixty years. Mexico changes the government every six years, and regardless of the party in power, laws must undertake a lengthy process through the Congress to be changed or modified.

Inside China's infrastructure projects and financial instruments within developing countries, there are three factors that are common to most cases: the presence of Chinese workers in these projects, the repayment of loans through raw materials and possible collateral effects in terms of environment impact. The cases of Dragon Mart and the high-speed train showed that there was a different legal constrain that served as an obstacle for the effective implementation of economic statecraft. Apart from the role of government officials, civil society and other interest groups that could serve as stakeholders, local laws have pivotal role in enhancing or constraining China's success in the receiving country.

In terms of environment law for example, Mexico has clear guidelines in its legal codes, particularly in the General Law for Environment Protection and Ecological Balance (Ley General de Equilibrio Ecológico y Protección al Ambiente) that states the actions and responsibilities of each province to preserve and look after the environment so, from the seventh up to the twelfth article for example, claim that all provinces, towns and municipalities must follow the guidelines stated in the law (Ley General de Equilibrio Ecológico y Protección al Ambiente 2012, p.8). Additionally, this law also empowers civil society and the public as it includes a special provision in the seventh chapter where people are encouraged to denounce or report or speak up against any action or project that affects negatively or destroys the environment by presenting evidences to local authorities. Both cases presented in this chapter, illustrate that civil society in Mexico has faculties enforced and provided by the law turning the public into a relevant factor that hindered China's projects in the country.

In this regard, even if China incurs into other means targeted to political elites or attempts to arrange 'government to government agreements' as it has done in countries like Angola or Guinea Conakry, civil society can also hinder the effectiveness of corruption, as there are other actors such as the media, who also have the possibility to denounce and raise awareness of corruption scandals. The role of the media in the corruption scandal surrounding the high-speed train for example was ential, as public opinion led to the opprobrium for President Peña and particularly towards his wife, as Grupo Higa had paid back the preference in the bidding by gifting an expensive house. The scandal went beyond borders, as the Chinese side was also affected by this scandal and claimed for compensations which accounted for one hundred billion Yuan. The role of the public either through opinion, media or organizations shows that economic statecraft can be hindered by domestic factors. The role of the public as a relevant stakeholder, however, is a key characteristic of countries with a democratic regime.

In view of this, most of the countries with which China has had success with its loans and infrastructure projects are not democracies or, they define themselves as such arguing the possession of democratic instruments such as 'elections' but have traces of totalitarian characteristics such as Venezuela or Russia. The role of the importance and relevance given to the local population by the political elite is another essential component within the effects of China's economic statecraft, as the strategy does not only consist on bringing Chinese technology and materials, but also labour force.

Labour laws in Mexico

The presence of foreign workers that are treated differently and have a better position due to their nationality raises concerns and questions in the receiving country. Araujo and Cardenal (2011, p. 187) explain that the presence of Chinese labour force as both workers and as managers has enhanced Sinophobia in some of the countries where China has its largest infrastructure projects. Local workers in Kenya and in Mozambique for example, denounce claims of racism exercised by their Chinese superiors where they claim that they prefer bringing their own workforce 'because locals are lazy' (Araujo and Cardenal 2011, p.221) or diminishing them through words and actions such as the recent cases of Kenyan train workers called 'monkeys' by their Chinese bosses (Goldstein, 2018).

Mexicans in general as stated in the sixth chapter, are stringent towards foreign opinions about domestic politics and are particularly strong with abuses coming from foreigners inside the country, a matter that entails a risk for Chinese or any other nationality. The case of a Mexican worker being physically abused by his Korean boss in one of Samsung's subsidiary company Samwon in the city of Querétaro for example, implied the immediate deportation of the Korean national and the closure of the factory (El Universal, 2012). The company was later sued after an investigation revealed a constant abuse and disregard of the domestic labour laws regarding salaries, hiring and working environment.

Laws regarding hiring foreigners as a workforce are strict in Mexico, nevertheless the posture and attitudes of locals regarding immigrants as such comprises the strongest argument behind these strong laws. Article 7 of the Federal Labour Law (Ley Federal del Trabajo) therefore, demands that any company regardless of its origin must have at least 90% of Mexicans and 10% foreigners inside its workforce. The law also establishes that in the categories of technicians and professionals, all must be Mexicans and, in case there are not available specialists in a specific area, the proportion of foreigners must not exceed 10%. Additionally, as stated in Chapter III Bis, articles 153-A to 153-X, foreign heads of companies and managers have the obligation of training and qualifying locals in any of the fields of technical or specialist knowledge (Ley Federal del Trabajo 2018, p.39).

The law also establishes clear mechanisms of labour and worker's protection, limiting possible abuses of the managers to the workers particularly in risky working environments such as mining therefore, the conditions to which workers are exposed in Myanmar or Sudan by Chinese companies would be considered illegal according to the Mexican law. Inside the XIII Chapter Bis for example, there are clear and strict guidelines regarding mining workers, for instance as stated in article 343-B, all mining facilities in the country must have a system to observe and guarantee the workers' health and safety, as well as providing all the necessary information about potential risks and protection equipment to the miners (Ley Federal del Trabajo 2018, p.79). Patrons and managers are also obliged to look after the workers' health and safety, as in case of any fatalities out of carelessness or negligence, the company and the parties found responsible are subject either to a fine or imprisonment.

Chinese companies provide the necessary housing, food and health services to their own personnel whilst working in infrastructure projects overseas. The provision of rooms and housing through company and government loans is a right for all workers in the country, and as stated in Chapter III, articles 136 to 153 companies must contribute to the National Housing Fund (Fondo Nacional para la Vivienda) (Ley Federal del Trabajo 2018, p. 38). The law states that even if the company provides housing for workers it is subject to contribute to the Fund, therefore China's compounds focused on satisfying the needs of their own workers and providing housing with minor quality for local workers would also be illegal according to the Mexican law.

Since Railroad Diplomacy has become one of China's major foreign policy strategies, railways are an additional sector where workers are exposed to other risks and subject to different conditions to which managers and patrons must foresee and observe. Chinese workers and materials, as stated not only in the case of the Mexico City-Queretaro train but also in other projects, is a condition that neither can be negotiated nor changed in China's offers. The Mexican law states in Chapter V, article 246 that all workers inside the railroad industry must be Mexican, therefore actions such as those seen in Kenya where trains are conducted by Chinese drivers and Kenyan nationals are neglected would also be considered illegal. The importance of following labour standards in Mexico is not reduced to individual projects only, but also a part of any investment strategy, therefore the welfare of the worker and the country is also a part of investment laws in Mexico.

Foreign investments in Mexico from the legal perspective

In view of the conveniences mentioned in the fifth chapter, Mexico has maintained an attractive investment environment nevertheless this does not imply that the destination and management of it goes unnoticed by authorities. Mexico, opposed to other cases in Africa and Latin America where China has the major share of presence and ownership in exchange of investment in major sectors such as oil and ports, the Mexican law has clearer guidelines in terms of percentages and requirements. The first article in the Law for Foreign Investment (Ley de Inversión Extranjera) states that foreign investment must fulfil requirements stated by the law and that it must have a benefit for the country and its development.

China's projects in other corners of the world present a common pattern where infrastructure projects and natural resources are subject to ownership transfer to the Chinese SOEs in most of the cases due to the inability of the receiving countries to bear the costs of the loans or, because they have focused their major share of natural resources to China. There have been documented cases throughout the developing world and mentioned in this research, where China's presence has had a detrimental effect on the local population and where thanks to its financial mechanisms and local mismanagement from the receiving country, infrastructure projects end up in the hands of China.

Araujo and Cardenal (2011) mentioned in this research, have documented several cases but the New York Times (2018) has also reported the case of Sri Lanka where the country borrowed one billion of USD for a port project and was unable to pay back, therefore the port has become China's property. The case of Ecuador with infrastructure projects with hydroelectric plants, roads and mining projects is moving towards a similar direction, as currently the Pacific Refinery project is stalled due to debt issues around the decrease in oil prices and the participation of Petroleos de Venezuela (PDVSA) as one of its major shareholders (Bradsher and Krauss, 2015) Mexico has specific guidelines for regulating foreign presence and participation inside the most relevant and sensitive sectors such as energy and transport which as seen in the cases of Asia, Africa and some in Latin America, are the areas where China has a major participation. Mexico, however, has a stricter legal framework that establishes the obligations and limits for investors.

The majority of the sectors in which China seeks major involvement are all subject to either government control or must undergo a process of approval through biddings. The Law for Foreign Investment is subject to the dispositions found in the Constitution inside its articles 27 and 28 that in summarised accounts specify the areas where the state has control or considerable leverage. Article 27 for instance, states that natural resources including water, minerals and hydrocarbons are of Mexico's property and their exploitation by private enterprises is subject for the approval of the state and any project in such sectors must produce a benefit for the country. In terms of domain acquisition of these resources (Article 27, Section I), foreigners are subject to the approval of the Ministry of Foreign Affairs and must renounce to any interest or protection from their government (Constitución Política de los Estados Unidos Mexicanos 2019, p.27). It is not feasible therefore, to grant China free access to oil, gas, electricity or any other resource on the same basis as other developing countries moreover accepting the clause of 'loans in exchange of resources', as in both cases, this would be illegal.

In terms of further restrictions and regulations for foreign direct investment, the fourth article specifies that foreign investment directed towards activities where percentages of participation are restricted, is legal when included inside the capital of Mexican shareholders, but only if the latter is not entirely controlled or dependant on the foreign capital. The law stipulates in the fifth article that oil and hydrocarbons exploitation, nuclear energy, electricity, telegraphs, radiotelegraphy, mail services, notes and coins emission, and management of ports, airports and heliports are of the exclusive domain of the state. In other areas, such as cooperative production societies, participation is allowed up to 10% whereas in the case of boats, newspapers, fishing in general, port management, shipping companies for commercial use (except tourism ships, dredge exploitation, and articles for port maintenance), petrol supply for airplanes and ships and air transportation services, participation up to 49% is allowed. Foreign investment that goes over 49% in the sectors of port infrastructure, aerodromes, private education, legal services and railways are subject to the approval and scrutiny of the National Commission for Foreign Investment (Comisión Nacional de Inversiones Extranjeras).

China has pumped capital in areas that are regarded as sensitive by the Mexican law such as electricity, hydrocarbons, energy and natural resources in general, therefore, article 28 states that except for the areas where the state has management or control, monopolies are forbidden in the country. In some cases, China has created joint-ventures with major companies dedicated to resource exploitation and extraction where thanks to financial mechanisms and the increase of debt in the receiving country, even if these sectors and partner companies are 'controlled by the state', China gets the major share of benefit for decision-making as in any company, the major shareholder turns into the main manager.

The main state-owned company in Mexico PEMEX, despite its high level of debt, putting its existence or leverage in oil and hydrocarbons in a risky position is unthinkable. In the country monopolistic activities are mainly focused on energy and electricity, where in the case of the latter the Federal Commission of Electricity (CFE Comisión Federal de Electricidad) controls the sector. The country also has an additional mechanism known as the Federal Commission for Economic Competition (COFECE, Comisión Federal de Competencia Económica) to regulate economic activities that imposes limits and sanctions whenever a company or group of companies incur into monopolistic activities, regardless of the company being Mexican or foreign. The Mexican government through these two companies exerts regulations for all projects related to these industries therefore in the case of the Chicoasén dam in Chiapas, the Federal Commission of Electricity controls and manages it but Sinohydro is a partner company, not the major owner.

Analysing China's joint ventures with companies that are key or the leaders in their sectors under the perspective of monopolies or anti-trust laws is a major concern for developed countries, most notably in the cases of Europe where anti-trust laws are stricter and more institutionalised than in the developing world. The examples France and Germany mentioned in the fourth chapter where governments banned these joint-ventures under national security concerns due to sensitive technology and intellectual property transfers, prove that there is a latent risk in allowing a foreign entity to possess the major share of a sector either through means of capital or a company, moreover if this foreign entity is a government-related actor, like state-owned companies. In Mexico, the Constitution states on article 28 that except for activities that are of the exclusive domain of the state, monopolies are strictly forbidden in the country. (Constitución Política de los Estados Unidos Mexicanos 2019, p.34).

Investment targeted for China's profit: The collateral effect of economic statecraft

Foreign direct investment in Mexico is also subject to rules and regulations that intend to direct this financial instrument to the welfare of the country and enhance development. Since most of China's investments as explained in the previous chapter, have not contributed to develop the receiving countries substantially by adding competitiveness or value to local businesses and companies, it is unlikely that Mexico would be keen on accepting projects that lack the possibility of concrete benefits for the local population. Infrastructure projects such as trains or stadiums do not contribute to the improvement of life of the locals or generate palpable benefits for the receiving countries if the people are impoverished or where education, nutrition, health and other essential needs are not fulfilled.

Building an airport in a country like Sudan hit by civil war and a health crisis, has no benefit on improving the situation of the locals as most of the air traffic consists of humanitarian aid and relief. Building a stadium in Mozambique where nearly half of the population live in poverty (46.1%) (CIA Fact Book, 2018) does not contribute to solve the problem or providing people with a better life, turning these infrastructure projects into white elephants. Araujo and Cardenal (2011, p.285) explain that despite the presence of local workers in these projects, there is a gap in wages paid to Chinese workers compared to the locals therefore having a temporary job in these initiatives does not have a quantitative benefit for the people either. Mexico has a severe problem of inequality (47 Gini Index) (World Bank, 2017) and a staggering poverty index (43.6%)

(CONEVAL, 2018) therefore providing the means to tackle these problems is essential, as poverty and inequality are root causes for social instability and an important element behind the increase of illegal activities such as organized crime.

Investment, therefore, has become an essential tool for the country to create opportunities and increase the expansion possibilities for companies to provide jobs and contribute to economic growth. Mexico has an open scheme for foreign direct investment and according to the risk assessment rating agency Standard and Poor's, Mexico has the BBB+ rating, which stands for adequate capacity to meet financial commitments but more subject to adverse conditions (Standard and Poor's, 2018). Risk assessment tools used by Standard and Poor's or Moody's are relevant for investors to have the necessary information to safeguard their capital and possess the assurances from the receiving country that their rights will be observed, and their investments protected. Countries that have stability in terms of economic indicators and political affairs tend to be considered as adequate destinations for investment.

Consequently, as argued in the fourth chapter, China's financial capabilities have allowed it to operate in countries which according to Standard and Poor's risk assessment, either have a limited capacity to meet financial capacity or are subject to adverse economic conditions or both. For example, in Latin America, China's closest partners Ecuador and Argentina have a B, which stands for more vulnerable to adverse business, economic and financial conditions but able to meet financial commitments on the current time. The case of Venezuela however, represents a case where China's capabilities and advantage are clear, as Sinopec is still operating in the country. China is close to indefinite possession of Venezuelan oil reserves due to the alarming level of domestic debt with a total of 150 billion USD of which 19.3 billion accounts for debts to China (Reuters, 2018).Venezuela's inability to meet its financial commitments has led to the grade of SD, used for countries that are in a condition of bankruptcy or payment breach and imputed payment promises.

The use of risk assessment tools provided to trace a common pattern among China's preferred targets for loans and infrastructure projects is relevant, because this reveals the extent of China's economic capabilities and financial resources. The country has achieved such levels of wealth and mechanisms of producing it that it has the possibilities to absorb or reduce the risks of operating in countries where domestic conditions are far from adequate for investment or economic activity in general. Analysing indicators that are common among countries that have opted for China's financial and development support either through loans or infrastructure projects, go further from these states sharing a common vision or a political system akin to

China. These states, apart from being mostly resource-rich countries and presenting major complications in terms of corruption and inequality, are eager for funds and resources to develop or to continue growing.

China's strategy of either creating trade networks to position its production of goods, or expand its network of services, enhance its connectivity or find a destination for its surplus of industrial production finds a suitable breeding ground in developing countries with favourable domestic conditions. Whether there is 'mutual benefit' or a 'win-win' situation depends on how receptive the country is and most importantly, how the actors perceive and regard China and the relevance of their agency within policy and trade realms. This chapter through the two case studies has also explored the role of additional domestic factors, such as the importance of local laws and the role of civil society as inhibitors or obstacles of effective economic statecraft. The success of China in the receiving country depends largely on how domestic actors interact, perceive and negotiate the terms of these economic instruments.

Therefore, as explored throughout this thesis, the receiving countries absorb the risks of granting China with unlimited access to their natural resources and suffer the consequences of accepting debts that are not condoned but extended and infrastructure projects that have no palpable productivity or development objectives on the long term. This thesis has explained that economic statecraft, thanks to the support from the Chinese government to SOEs, has a detrimental impact on the receiving country that moves beyond the political realm, as the costs of accepting China's presence are suffered by the local population and not by the political elite.

Conclusions

China's economic statecraft on medium-sized economies like Mexico resulted to be multidimensional due to the factors involved. Relevant variables such as geographic distance, state of bilateral relations, economic interaction and particularly the agency and role of domestic stakeholders mainly government and business sectors, can either enhance or undermine the effectiveness of economic statecraft. The case of Mexico, analysed throughout this research, illustrates that China's approach and strategy used with developing countries does not present a pattern of differentiation by underestimating the importance of the local population, the business sector and the role of perception. Mexico, added to its position as a developing country, a neighbour of the United States and with several economic, social and political challenges and distant from China, shows the importance of perception as a major argument behind Mexico's reluctance to engage further with China.

China has become a world power thanks to economic reforms carried out after 1978 which gave the country its current status as the largest market and the second most powerful economy. China has acquired a major role not only from the economic perspective, also as a relevant player within world politics. The first chapter stated that China through its economic growth has been able to extend its influence beyond its boundaries and that there have been positive and negative effects on the way. Evidence and the cited literature show that China's position in multilateral forums, such as the United Nations has been strengthened further by its economic capabilities, as it has allowed it to have a major decision-making role in the WTO due to the size of its market and the IMF by positioning its currency, the Renminbi in the basket.

Previously, economic capabilities were considered secondary to the use of force as a relevant means to exert influence on other countries or to acquire the necessary resources demanded by the needs of domestic development. China, instead of using the traditional means for exerting influence and satisfying domestic needs, it has resorted to finance with investment and loans, and infrastructure clothed with the language of 'no political conditions attached'. The country, as the first chapter explored, has turned its economic growth into diplomatic gains by creating attractive financial mechanisms that give the possibility to other countries to fund their domestic needs for infrastructure and development under the convenience of 'no political conditions attached', as opposed to the options dominated by Western institutions (IMF, WTO) where support is granted on the basis of receptors being democracies and market economies.

China does not only constitute a good alternative for countries to access funds for their own objectives, it also represents a watershed in terms of Realpolitik as it has turned into a possible counterweight for other powers, most notably the United States. China's rise as a power has not gone unnoticed by western and developing countries, moreover due to the major role of the Chinese government in managing and planning these sustained economic growth strategies. The role of Chinese leaders since Deng Xiaoping has been essential to this success as their long-term strategies have turned the country into a major power. Nevertheless, China during Jiang Zemin and Hu Jintao had an active role in international affairs as a growing economy, but under Xi Jinping China has turned into an assertive power through investment strategies mainly targeted to the developing world and in other relevant areas, such as building its military capabilities. China, therefore, from a discrete and developing economy, it turned into an assertive power with major economic resources.

Literature showed that China has also experienced the effects brought by its transition to a market economy, where inequality and overcapacity comprise two major challenges that could hamper domestic stability and sustained economic growth, two major milestones for China. Foreign policy from this perspective, serves as a suitable means for China to use its economic capabilities not only to expand its presence throughout the globe, but also to address domestic needs such as preserving domestic stability by declaring human rights in China as an internal affair, addressing the surplus of steel and construction materials (overcapacity), providing people of a job (even if it is an overseas job), and pushing state-owned companies to be more productive and competitive.

China has also designed an effective strategy to expand its influence for the sake of its interests that aims to satisfy domestic needs, increase its presence around the world and fulfil its demand for natural resources. It is through state-owned enterprises, policy banks and the receiving countries that China has adopted economic statecraft as a major technique to fulfil its interests, where developing countries are the preferred target. The concept of economic statecraft in this research is defined as a strategy or group of tactics used by the state with short or long-term impact that pursues political or policy objectives through the coercive use of economic means (trade) and financial instruments (loans) or both. Economic statecraft in the context of China is used as a means of influence and of exerting power therefore the role of the latter is inherent to the sender country which expects the target country to act in accordance or to the convenience of the sender.

Sanctions in the literature have been regarded as inherent to economic statecraft due to their purpose to coerce or force states to act in a specific manner by the United Nations or by a group of states, but as explained in the second chapter, sanctions comprise one of many forms of economic statecraft. The case of China whose major capabilities fall into the realm of finance and economics, serves as a suitable illustration regarding economic statecraft as a group of tactics used to coerce or pressure a target country rather than reducing it to the traditional means of sanctions only. The concept of 'Geoeconomics' proposed by Blackwill and Harris (2015) presented in the second chapter, offers a wider interpretation and use of economic statecraft that goes further from the traditional concept of sanctions, as cyber-attacks, market restrictions through compulsory joint-ventures with Chinese companies, or the use of policy banks as means of controlling outbound investment, are different forms through which the state can exert power on the target country by managing investment flow or using natural resources as the means for the receiving country to pay the loans.

Economic statecraft requires the receiving country to have a close relationship with the sender, where the latter has an advantage on the former through trade surplus or dependency. In practical terms, China has a trade surplus with most of its partners that gives it leverage on the receiving country. The strategy used by China to invest in other countries as explained in the fourth chapter, presents a common pattern in most cases of economic statecraft, where policy banks (such as Exim Bank) through 'attractive' financial mechanisms and state-owned companies, present a project and themselves as a suitable alternative for the receiving country to enhance its development capabilities and its economic performance.

A major issue with these mechanisms as argued in the fourth chapter is the opacity of these companies from the legal point of view regarding the type of entities, as state-owned companies out of their presence in all of China's major infrastructure projects overseas, comprise an additional policy vehicle. The implications of state-owned companies acquiring key players in technology or natural resources in other countries go further from concerns around unfair trade practices, as in some cases know-how and patents comprise a major or sensitive asset therefore, some governments have intervened in these operations and banned joint-ventures with Chinese companies out of national security concerns. The cases cited in this research to illustrate the matter belong to European countries. The cases of Belgium, France and Germany where the government has intervened in joint-ventures between Chinese companies and key players in energy and technology industries inside these countries, shows that information, patents and know-how are regarded as sensitive assets whose major share of control must not be submitted to foreign entities.

Chinese state-owned companies have their own agency as profit-seekers but due to the presence of government officials through the figure of the Party Secretary or government officials from the Party becoming part of the Board of Directors, it is unlikely for them to detach themselves from policy objectives. The preference of the Chinese government to use state-owned companies as the major participants in joint-infrastructure projects or in biddings held by foreign governments, therefore, is not uncoincidental. China needs its economy to be in constant movement to keep its sustained growth strategy so, pushing state-owned companies to go overseas for the sake of profit and competitiveness and using its policy banks as the major lenders and sponsors for loans and the projects themselves, keeps a constant cash flow for the Chinese economy as money and materials (steel, construction, etc.) move around through different entities.

The impact and success or failure of economic statecraft, however, depend on how the relevant stakeholders such as the government and the business sector in the receiving country interact with or perceive China. The use of semi-structured interviews to government officials, business people and academics therefore, served to evaluate the importance of the actors involved in economic statecraft and the relevance of their agency from the perspective of the receiving country. The sender country needs to possess a considerable leverage on the target country to achieve its goals, which in the case of China, this leverage consists of its economic advantage vis-à-vis the target country proved by economic indicators. Consequently, most countries where China has invested in loans or infrastructure projects are in disadvantage, therefore if China decides to remove or interrupt investment or trade relations through blockades, bans or closures, the target country gets hit by further trade deficit or losses.

The major challenge with China's case is its unpredictability, as if the target country incurs in any action that goes against issues that China considers 'internal affairs' or 'part of its sovereignty', economic statecraft can be exercised immediately and as opposed to economic sanctions imposed by the United Nations for example, measures are implemented without previous notice. China uses economic statecraft when it considers its own interests being threatened, a matter that stands in contrasts to economic sanctions imposed by the Security Council where the argument underlying these measures is based on international law, such as human rights violations or non-proliferation of nuclear weapons.

China's strategy of using economic instruments in return of essential natural resources such as oil, minerals and food, shows that it keeps on growing as an economy and that local needs are increasing and that natural resources are essential for industrial growth. Developing countries from this point of view, constitute the best candidates for China's strategy as in some cases they have been denied economic and financial support from Western-based institutions such as the

IMF and the WB. The 'no political conditions attached' is the major strength behind China's strategy for internationalisation and acquisition of both markets and partners, as for some developing countries that have been under command economies or totalitarian systems, China's support comes as a breathing space. Both literature and evidence show concern amongst Western countries around China's negligence towards the impact of its own investments not only on the locals of the target country, but for the inherent support to rogue or authoritarian regimes. The major success of the Belt and Road Initiative and the Asian Infrastructure Bank for instance, is non-democratic or authoritarian countries being able to perpetuate their own practices and China exporting its own labour and environment standards. The fact of China targeting developing countries, therefore, is not uncoincidental.

Since developing countries have been the major receptors of economic incentives in return of natural resources or support for China's interests, effects have been multidimensional. Evidence shows that resources move among Chinese companies or between the Chinese state-owned company and the policy bank, therefore this research has found that there is a reduced possibility for the receiving country and its people to have tangible benefits from these infrastructure projects. Investment is expected to benefit both sender and receptor, and as argued throughout this research, specific cases like Mozambique and Sudan show that infrastructure projects like stadiums or airports do not bring any further gains if the receiving country is in a fragile position or unable to meet financial commitments.

This research has found that perceiving developing countries or regions as single, homogenous entities particularly in the non-Latin American literature, comprises a major problem for the accurate analysis of the effects of economic statecraft. Developing countries, as shown in the case of Mexico do not have the same characteristics regardless of sharing common cultural, economic and political features. Evidence gathered from interviewees and data found in government-issued documents and media articles, reveal that China has shown a strategy that tends to uniformity and is based on the premise that all developing countries are the same or alike the African case.

The major analytical challenge that hinders accuracy in the process of evaluating China's impact through economic statecraft in the target country comes from this bias of relating preconceived ideas around countries that belong to the developing world. Characteristics like economic instability, political turmoil, authoritarian or totalitarian regimes, corruption, social discontent and poverty among other issues, are conceived as 'typical' or 'common' within the developing world, which leads to the assumption of these countries as entities that only require financial or monetary means to develop regardless of the consequences this entails. Literature of economic statecraft and China's rise for instance, lack an inductive approach regarding the role and agency of domestic stakeholders in the target country and how they react and perceive the sender.

In view of these complexities, semi-structured interviews represented the best suitable means to evaluate the role of perception from the relevant stakeholders. Grounded Theory allows to build theories through analysing the gathered data to generate common patterns, a task that in this research is translated to common perceptions regarding the role of China as a world power that has a major participation in the country's economy, an intermittent diplomatic presence determined by who is in power in terms of the importance of China for the target country, and widespread awareness of the consequences entailed by its role as a world power.

Mexico, as explained in the fifth chapter, represents an interesting and relevant case because despite of being part of the developing world, it has an economic profile alike China's, shares the border with another major power, it is the second biggest economy in Latin America, has clear foreign policy guidelines, and regionally unlike Venezuela, Mexico has a strong civil society and it is a peculiar democracy. China's major failure in its attempts to broaden bilateral relations with Mexico as illustrated in this research is due to the use of the same approach with African and other Latin American countries whose economic and political profile differs greatly from that of Mexico.

Mexico as explained in the cited literature and economic indicators is a medium-sized manufacturing economy that shares many commonalities with China in terms of economic profiles. In view of this, China's entry to the WTO meant for Mexico being displaced to the second place as the largest importer of the United States. Despite constant warnings from government officials and specialists regarding China turning into a major competitor, Mexican business people did not take these warnings seriously and ended up being displaced by China. Mexico expanded its trade network further with the North America Free Trade Agreement in 1994 but took its geographic advantage for granted, a matter reflected on both export and import indicators where Mexico depends on the United States with 80% for both categories.

In view of China's growing advantage in the U.S. market and the presence of Chinese goods in the country, Mexican businesses and companies started to regard China as a major threat to the domestic economy, particularly in the case of steel, clothes, shoe-making and manufacturing industries. The fact of Mexico being the first country to impose anti-dumping and compensatory fees on China through the WTO mechanisms in 2011, therefore, was not a coincidence. Business interviewees expressed that the major concern was the presence of subsidies, the lack of transparency and the guidance of the state within the operations of state-owned enterprises, matters also mentioned in the cited literature. In their view, these entities have a policy-oriented role additional to the profit-seeking one, which entails a potential risk for the receiving country.

Mexico has a strong private sector that provides 80% of productive employment in the country and is a strong stakeholder and major reference for policymaking. Consequently, Mexican officials and businesspeople out of China's state-guided capitalism claimed that "There is no private sector in China". Except for the oil state-owned company PEMEX (Petróleos Mexicanos) and the Federal Commission of Electricity (Comisión Federal de Electricidad), the Mexican government has no role in the economy except for creating the suitable conditions for economic activity through policy. A state-owned company for Mexico as explained in the fifth chapter, is an entity managed by a politician and a professional in the sector where one of them is affiliated to the party in power and the company is managed by one or more ministries, normally the Ministry of Finance (Secretaría de Hacienda y Crédito Público) and the Ministry of Energy (Secretaría de Energia, SENER).

Mexico is a democracy, which entails that government personnel changes every six years, therefore China's assumption of being in good terms with the government implies being in good terms with the country is a strategic mistake. The seventh chapter explores the particularities of Mexico as a democracy, where power has been divided into three major forces since the 1930s, where the PRI (PRI Partido Revolucionario Institucional) party held power until the 2000s when the PAN (PAN Partido Acción Nacional) won elections and stayed until 2012. In 2012, the PRI got into power again. Mexico's complex political environment is also reflected on its foreign policy, as during the seventy years of PRI, Mexico and China established formal relations (1972) that evolved favourably until President Fox and PAN got into power.

The seventh chapter analysed the differences amongst the periods of these parties, as evidence shows that China-Mexico relations are framed and determined according to the administration. Government officials showed a clear knowledge regarding the importance of Guanxi to Chinese in general and to Chinese government officials in particular. Mexico, as mentioned in the cited literature, established diplomatic relations with the People's Republic of China in 1972, under President Luis Echeverría who turned Mexico into an ally as both countries had political similarities due to Mexico's rebellious posture against the pressure of the United States and its influence on Latin American affairs by supporting military regimes and further involvement in regional affairs. Since Echeverría was also part of the PRI, bilateral relations remained the same until 2000, when the right-wing PAN got into Los Pinos (official residence of the President in Mexico until 2018).

China and Mexico concentrated on developing their own economies during the 1990s through reform in the former and a neoliberal approach on the latter, as Mexico sought to reduce the role of the government in the economy and face challenges brought by globalization more efficiently. This research finds that China had a slower and more pragmatic approach compared to that held in Mexico, as one of the arguments behind China displacing Mexico is that the latter got immersed into globalization and multilateral trade agreements in a relatively smaller period despite the risks.

When President Fox started his term, business and trade operations were oriented towards the North American market and the European Union as the major targets as mentioned in the seventh chapter. China during this and the next term under PAN, was relegated to a partner that had to be managed, as PAN had close interaction with the business sectors in the country who pressured heavily on the sudden flood of Chinese goods into the country that were affecting the manufacturing industries. President Fox and his successor, Felipe Calderón regarded China as an outsider relegated to a second or third position instead of a potential trade partner, and during the twelve years of PAN in power, China and Mexico had clashes that left dents in the bilateral relation, which started when Mexico got involved with a sensitive issue: the Dalai Lama.

The sixth chapter through both literature and evidence, analysed the importance of foreign policy as an obstacle for successful economic statecraft as China and Mexico from having a friendly bilateral exchange before the 2000s, both countries distanced out of the crisis brought by the Dalai Lama's visit, where the Mexican president exchanged strong arguments with the Chinese ambassador in 2004. Distance was further reinforced by the gestures from President Felipe Calderón who held office from 2006 until 2012, where he did not regard China as neither relevant nor important for Mexico and received the Dalai Lama officially in 2011. During these clashes Mexican officials pressured President Fox for leaving the reception of the Dalai Lama to his wife instead of himself in 2004, a matter for which he was heavily criticised by Jorge Castañeda, the Minister of Foreign Affairs from 2000 until 2006. Castañeda appealed to foreign policy principles such as non-intervention taking the Estrada Doctrine as a reference, by questioning President Fox's reluctance towards receiving the Dalai Lama as Mexico preaches the importance of human rights.

Government officials interviewed in this research used the case of the Dalai Lama and Mexico as a democracy to argue that China's approach towards developing countries is not differentiated.

Mexico holds elections every six years and both president and Congress are renewed, and in the case of the latter the Chamber of Deputies changes every three years and Senators stay for six years. Government officials argued that China assumes that being in good terms with the government equals good terms with the country and, since PRI stayed in power for seventy years, China took its position in Mexico for granted until the government changed. In the case of the Dalai Lama, government officials showed knowledge and awareness regarding the sensitivity of the issue (also present in the China-Mexico literature) and argued that China's reactions should be managed but with no further actions, as the popularity of the Tibetan leader is very high in the country, therefore rejecting or banning his entry would be counterproductive for the government.

The backlash from China in 2011 came through the cancellations of trade treaties that were not considered as relevant, mainly due to the negative perceptions around China from the Mexican business sector. Nevertheless the current approach to China by using individual agreements depending on the product has not changed substantially, as the business sector has preferred this mechanism as opposed to a free trade agreement which according to government officials, is not an option on the table for Mexico, moreover after the reform of NAFTA which in its new modality of United States, Canada and Mexico (USCMA) agreement has included a restriction for non-market economies. The clause 32.10 explored further in the fifth chapter, dictates that if any of the parties is doing negotiations with a non-market economy, the other two parties should be given notice thirty days before the signature of the agreement with the country in question (Office of the United States Trade Representative, 2018).

The idea of China as a market economy has been contested and rejected by economists and by Mexican businesspeople in both literature and the field due to China's state-guided capitalism, therefore the clause is an obvious attempt of the United States to limit China's presence in its closest borders. Consequently, the fact of Mexico sharing the border with the United States, as argued in the sixth chapter, has also proved to have major implications in the context of China-Mexico relations. In view of this geographic circumstance, China has a disadvantage out of Mexico's level of economic integration, exchange and interaction with the United States not only in terms of trade but in other relevant issues such as border security through joint operations. Interviewees and evidence in this research showed that despite pressures coming from the Trump presidency, the role and importance of the United States cannot be replaced by China. The presence of the United States, however, is an important argument behind Mexico's reluctance towards strengthening relations with China added to the existing scepticism.

The 'government to government' approach explored in the eighth chapter, greatly favoured and preferred by China and addressed in the China-Latin America literature, is not regarded as an acceptable option by Mexican government officials. China's mechanism of 'loan in exchange of resources' is not regarded as a suitable option either, as this research has found that Mexico has stricter guidelines for both loans and banking standards. Additionally, by reviewing the investment schemes used by China in other developing countries in both literature and economic indicators, this research has found that financial resources enter and move throughout Chinese companies and banks. Therefore, a concern raised by an interviewee regarding lack of transparency and access to these funds, gains relevance as resources tend to stay in the Chinese counterpart and the receiving country ends up with a debt that has doubled its original value.

Evidence and literature show that China's approach towards developing countries has been the same or with slight modifications depending on the objective in the receiving country. In the case of infrastructure projects, either there is a Chinese state-owned company involved or one of its subsidiaries or both, and the financing body tends to be a Chinese policy bank, such as the Exim Bank or China Agricultural Bank, who in the words of a business sector interviewee, create 'investment packages' that sound attractive in appearance but, these strategies lack other relevant aspects such as the terms of loans being opaque and modified according to China's convenience or the existence of 'dodgy repayment conditions' like using natural resources as a means of repayment.

Mexico's case as the neighbour of the United States with a peculiar type of democracy has represented a challenge, notwithstanding its position as a developing country, Mexico has shown characteristics that are distinctive as opposed to other developing countries where China has been successful. In view of China's preference to the government-to-government approach, interviewees from the government sector explained that such approach does not work with Mexico out of legal constraints. Both evidence and interviewees showed a strong support and preference for the established schemes of banking and investment and as explained in the eighth chapter with detail, labour, environmental and investment laws in Mexico have clear and strict guidelines.

The cases used in this research, however, prove that corruption keeps on being a major port of entry for avoiding regulations through bribing and off-the-record agreements. The existence of a strong civil society in Mexico has turned out to be one of the major obstacles for China to move its way through government biddings and other projects, as opposed to other regimes where leaders and governments have tight controls and restrictions on freedom of speech and criticism, the Mexican people are highly critical of the government's actions. In both cases presented in this research, the role and agency of civil society has been pivotal in blocking China's influence and projects.

The case of the high-speed train that intended to connect Mexico City with the nearby city of Querétaro shows that corruption comprises a major means for winning government biddings. The fact of President Enrique Peña Nieto giving preference to Higa-China Railway is not uncoincidental, as President Peña and Xi Jinping built a good relationship since the former was the governor of the State of Mexico and the latter Vice-Premier. China Railway Corporation associated with a Mexican consortium that was related to the president, where the manager of the consortium gifted a house to the president's wife that led to public outrage. Public pressure increased after a journalist uncovered the act and the Congress intervened on the matter and forced both the president and the Mexican consortium to be held accountable for the scandal. China Railway ended up being paid compensation, but the problem left a dent in the bilateral relation which in the words of government officials broke 'Guanxi' between both countries.

The second case explored in this research with Dragon Mart although not a project based on the government-to-government approach, it highlighted the relevance of the agency from both private individuals and civil society in enhancing or hindering economic statecraft, respectively. In this specific case, there were Mexican businesspeople and government officials who incurred into bribery and corruption by allowing the latter to grant the building permissions in a protected area of Quintana Roo. The project was intended to build a convention centre with stands for both Chinese and Mexican expositors to show case their products, a housing complex and additional shops all located in the area of Puerto Morelos near Cancún, a popular tourist destination. The arguments from the interviewees, mainly academics and government officials, were focused on Dragon Mart as a major threat for the local businesspeople, mainly small and medium entrepreneurs and environmental impact.

In the case of the former, a complex of the size of Dragon Mart taking the existing one in Abu Dhabi as a point of reference, shows that on the long term, concerns coming not only from the interviewees but also from the locals regarding Dragon Mart as a potential threat, were accurate. Cancún is a major attraction for tourists in the province of Quintana Roo, which has access to the Caribbean and the Gulf of Mexico and turns it into an important transportation hub. This research found that the choice of this famous touristic spot by Chinese investors was not a coincidence, as in view of the information found in the Dragon Mart of Abu Dhabi and the proportion of Chinese businesses vis-à-vis local or foreign, the complex is designed for the benefit of Chinese traders.

The cases analysed in this research are neither generic nor overreaching in terms of portraying an accurate picture of the impacts of China's economic statecraft within the developing world. The reasons for China to support these projects, however, are generic as self-interest and strategic objectives comprise the core of choosing resource-rich countries as the main destinations. Realism from this perspective, finds an additional example of a state that follows self-interest and creates strategies to pursue its objectives.

The importance of focusing on Mexico relies on specific aspects that differentiate it from other developing countries in Africa and Asia. Literature produced outside of Latin America tends to portray the region and the developing world as single entities. The work of Strauss (2012) for example, provides an overview and yet assumes that China's 'historical baggage' is the same for all countries in the region as opposed to the United States. Mexico's position as a developing country as shown in this research, cannot be compared to that of other countries therefore, the success of China's approach with these states does not imply that a 'one size fits all'.

In view of the empirical nature of the central subject of this research, there are two major contributions: solving a concrete problem between two countries that are distant and from which several aspects of domestic politics are unknown to each other, and contributing to the existing China-Mexico literature, which as mentioned earlier is mostly focused on the economic perspective. In terms of contribution for literature of economic statecraft, this research notes the importance of domestic actors in the target country as units of analysis, as most of the existing work focuses on general variables or emphasises the importance and rationale of the sender. There is no literature about economic statecraft in Spanish, as in the case of Mexico and other countries, the impact of China has been addressed from a practical perspective using economic indicators and trade as the major units of analysis and each case is analysed individually.

In view of this, framing the problems and effects of Latin America and China through European or U.S.-based frameworks, further research on the subject is needed, particularly targeting the importance of local actors, as using conceptual generalization has policy implications. Following the categories of analysis suggested by Jervis (1976) academic, business and government sectors for instance, can have an impact out of their agency as inhibitors or enhancers or critics of economic statecraft. Perceptions, decisions, and actions from these actors added to other variables such as the proximity of the United States, as illustrated in this research, determine the success or failure of economic statecraft in Mexico. Local laws and regulations and how they work and interact with domestic stakeholders and their behaviours comprise an additional variable. Legislation, apart from possessing a major role as regulator, it creates a system which as seen in the case of Mexico, is subject to the behaviours and interpretations of local stakeholders. These behaviours and interactions of local stakeholders and regulations therefore, are determinant for China's success in the receiving country.

Mexico's case different to those addressed in the literature, proves that China has used an erratic approach towards the developing world where there is an assumption of developing countries as uniform entities, rich in natural resources, with unstable or authoritarian governments and in urgent need for affordable or 'easy' financial instruments to develop. In terms of further research, it is essential to detach developing countries from these categories for objective analysis, as not all of them have the same domestic conditions and context. Assessing the effects and impacts of economic statecraft in any country requires knowledge of domestic variables regarding the role of actors, perception, and legislation. Therefore by including these variables, it is possible to generate accurate analyses of each target country for comparative purposes instead of labelling the effects of China's economic statecraft as the same for states that share 'common' features, as even inside 'common' features there are differences.

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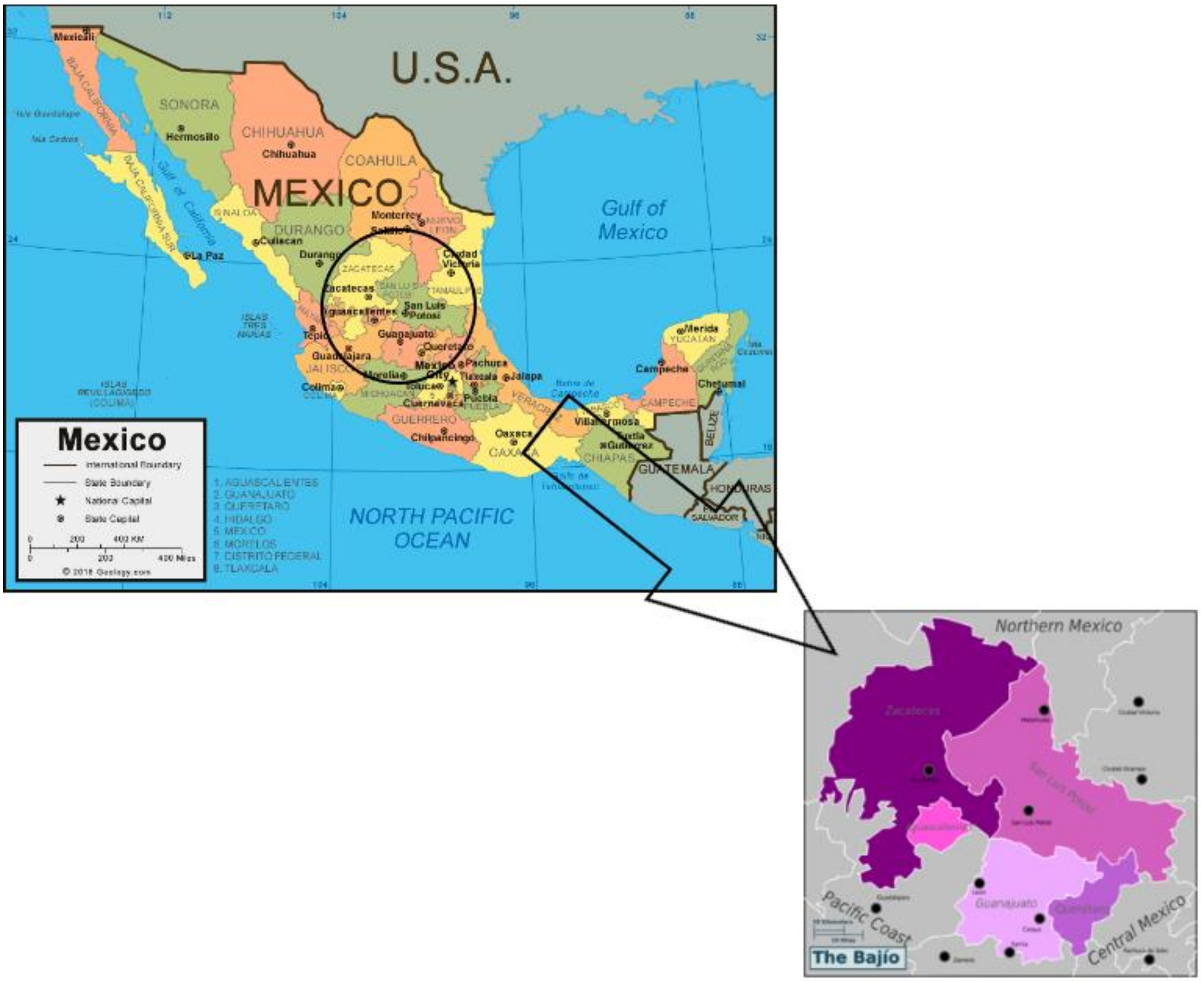
APPENDIX I

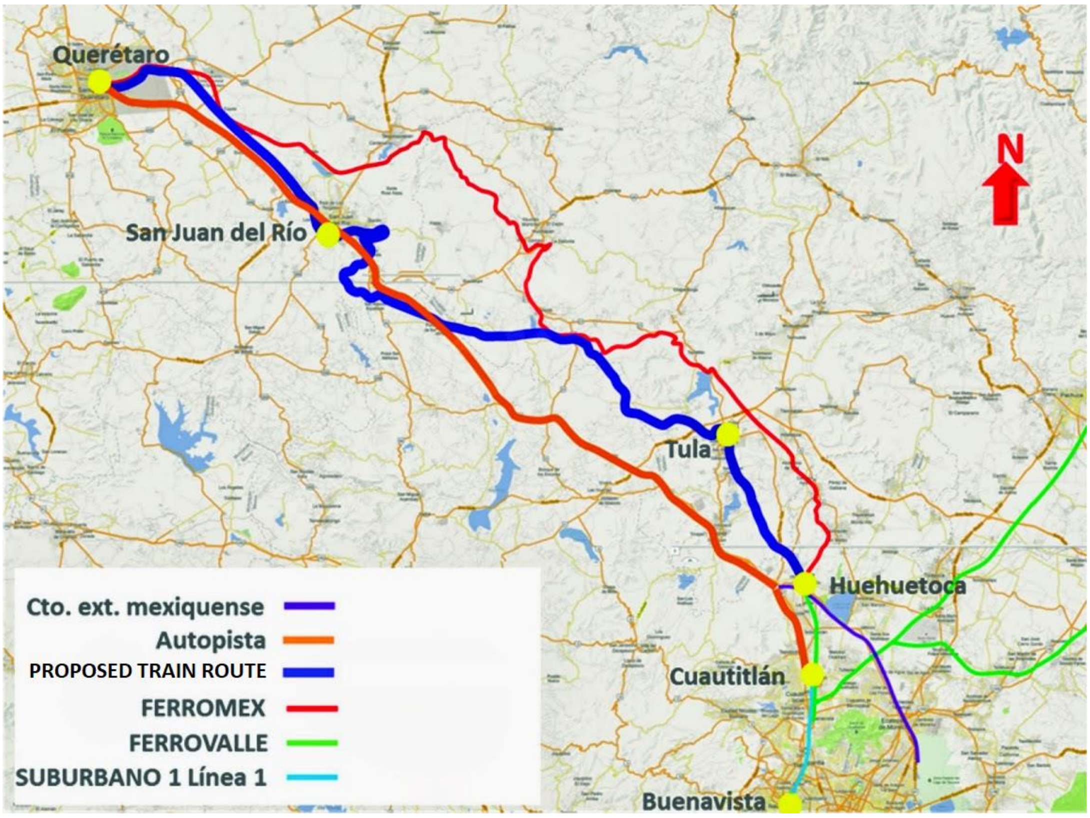
MAP OF LATIN AMERICA AND MEXICO

Source: Geology, 2018.

APPENDIX II

BAJIO AREA AND MEXICO-QUERETARO TRAIN ROUTE





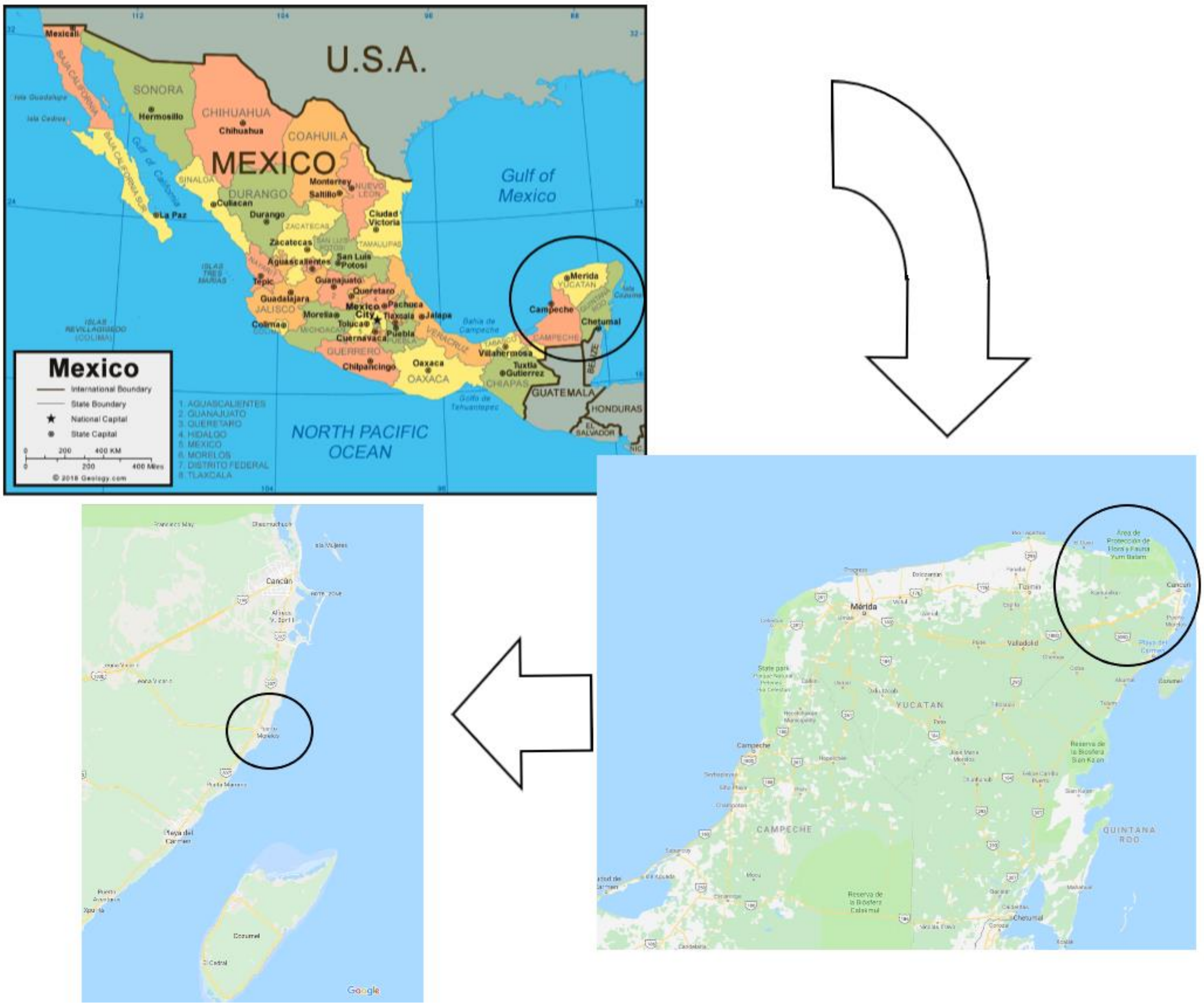
Sources: Geology, 2018.

Wikimedia Commons, 2015.

Li, 2014.

APPENDIX III

CANCÚN AND PUERTO MORELOS

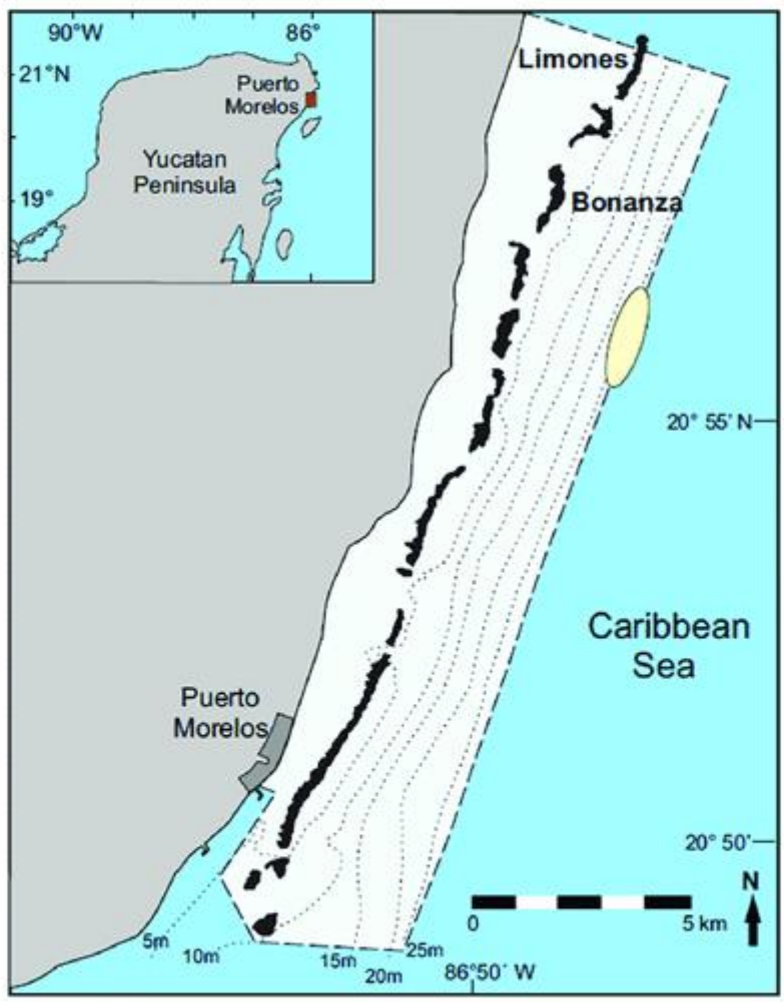


Source: Geology, 2018

Google Maps, 2019.

APPENDIX IV

DETAILED MAP OF THE CORAL REEF AREA OF PUERTO MORELOS



Source: Alvarez-Filip, L., Barradas, C. Briones-Fourzan, P. et.al. ,2019.

APPENDIX V

CABO PULMO

Source: Geology, 2018

Google Maps, 2019